

# Renewable Energy Certificates Associated with Energy Imported into California via the Energy Imbalance Market

*Mary Wiencke, PacifiCorp  
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## EIM REC Issue Summary

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- Issue Statement:
  - Whether California Air Resources Board (ARB) mandatory reporting program assignment of a zero-emissions factor to renewable energy imported into California via the energy imbalance market (EIM) constitutes a claim on the REC so that it cannot be used for Oregon (or other state) renewable portfolio standard (RPS) compliance
  
- Issue has come up in the context of EIM but conceptually applies to all energy imported into California and has broader implications
  
- Potential impacts to consider:
  - EIM
  - Bilateral energy markets
  - Existing and potential state RPS and GHG regulatory programs
  - Voluntary REC market
  - Environmental/emissions/renewable integration

## Focus on the EIM

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- Under the Cap-and-Trade Program, all emissions associated with imported energy, including energy imported via the EIM, are subject to a compliance obligation
- CAISO developed a methodology to identify specific resources imported into the CAISO balancing authority area via the EIM
  - ARB modified regulations to assign reporting and compliance obligations based on CAISO's methodology
- The REC issue has come up in context of the EIM because, unlike the bilateral market, market participants cannot sell RECs in the EIM nor pre-determine which resources are identified as imported into California
  - Market participants can identify resources as unavailable to be imported into California but to the extent a resource is allowed to be imported into California, the resources and quantities imported are set by ISO optimization
  - Currently, RECs cannot be bid into the EIM so there is not a market mechanism to allow compensation for RECs associated with energy bid into the market

## Potential Impacts to the EIM

- If assignment of zero-emissions factor to energy imported into California constitutes a claim on the associated REC, PacifiCorp has few options to allow RPS resources to fully participate in the EIM
  - RECs generated from PacifiCorp resources are allocated to each of PacifiCorp six states—PacifiCorp cannot unilaterally render RECs unusable without compensation to customers
  - For states with RPS requirements, PacifiCorp policy is to retain RECs for RPS compliance
  - Because PacifiCorp does not know beforehand which resources will be deemed delivered to California, cannot evaluate financial benefit of allowing resources to be imported into California versus retaining the RECs
- In general, market restrictions limit flexibility and reduce market benefits including potential renewable integration benefits
- Market inefficiencies have the potential to proliferate as more states adopt carbon and RPS policies that focus on regulating imported energy