

BEFORE THE PENNSYLVANIA PUBLIC UTILITIES COMMISSION

Implementation of the Alternative Energy
Portfolio Standards Act of 2004: Designation
of the Alternative Energy Credits Registry

Docket No. M-00051865

**COMMENTS BY CLEAN POWER MARKETS, INC.
ON THE COMMISSION'S
TENTATIVE ORDER DESIGNATING A CREDITS REGISTRY**

Clean Power Markets, Inc. (CPM), a Pennsylvania corporation, respectfully submits these comments in response to the Commission's request for comments on the Tentative Order entered on October 28, 2005 regarding the designation of a credits registry as required by the Alternative Energy Portfolio Standards Act of 2004, 73 P.S. §§1648.1-8 ("Act 213" or the "Act").

Clean Power Markets, Inc. is providing comments on this issue in order to share our experience in serving as the Administrator for the credits registry in New Jersey for the solar and behind-the-meter renewable facilities, which tracks solar photovoltaics (PV), and behind-the-meter wind and biomass facilities in the State. New Jersey has recognized that a credits registry for behind-the-meter facilities requires a different approach than that required for larger, transmission-interconnected renewable facilities. New Jersey's Clean Energy Program, as part of the Bureau of Public Utilities, provides an excellent example of a program that is successfully promoting the installation of solar systems and other behind-the-meter renewable facilities through this specific REC program.

The New Jersey Board of Public Utilities recently issued an order to continue administering the Solar and Behind-the-Meter Renewable Energy Certificates program as a separate program, even as PJM-GATS has come on the scene to track credits from the larger

facilities. The New Jersey Board of Public Utilities Order, issued on August 31, 2005, specifically states that the PJM-GATS system shall not be used for tracking solar and behind-the-meter generation, as follows:

“...[P]ursuant to N.J.A.C. 14:4-8.9, a Solar REC Administrator has been issuing Solar RECs and administering the Solar REC tracking and trading system. . . .

Pursuant to EDECA and the RPS, the Board HEREBY APPROVES the use of Class I and Class II renewable energy certificates issued by PJM-EIS GATS for compliance with New Jersey’s Renewable Energy Portfolio Standards set forth at N.J.A.C. 14:4-8 to commence as soon as PJM-EIS GATS is operational, which is projected to be on or about September 15, 2005, except that Solar RECs and all “Behind the Meter” (BTM) RECs utilized for compliance with New Jersey’s Renewable Portfolio Standards must continue to be issued by the Solar REC Administrator or the BTM REC Administrator, as designated by the Board. A BTM system means any Class I renewable energy system that is interconnected and net meters the electricity generated from the renewable energy system into New Jersey’s electric distribution system. A BTM REC is issued to a BTM Class I renewable energy system.”¹

Even though the New Jersey Board of Public Utilities has provided the financing for the PJM-GATS system, they recognize that a REC program for small facilities requires a different approach. Homeowners with 2 kilowatt solar systems on their roofs are not sophisticated in energy markets, and therefore cannot be treated in the same manner as operators of multi-megawatt renewable energy projects, backed by the resources of large corporations. A high level of customer service provided by staff that is familiar with the intricacies of small systems is required to run a successful program. The program is definitely a success; today’s statistics indicate that there are 846 companies and individuals holding accounts in the system, and 912 solar and 11 behind-the-meter facilities registered in the database, representing almost 10 MW of solar capacity, and 3.6 MW of wind and biomass capacity.

¹ In the Matter of the Authorization to Use Class I and Class II Renewable Energy Certificates Issued by PJM-Environmental Information Services, Inc. for Compliance with New Jersey’s Renewable Portfolio Standards, State of New Jersey, Board of Public Utilities, August 31, 2005.

The Solar and Behind-the-Meter Renewable Energy Certificate Program is a web-based program that can be found at www.njcep.com/srec. Under this program, the Administrator issues one certificate for each megawatt hour of renewable electricity production on a monthly basis. New Jersey's rules allow solar systems smaller than 10 kilowatts in size to use engineering estimates for purposes of receiving RECs, and systems 10 kilowatts and larger all report in monthly production readings. Electricity production is verified by a randomly auditing a statistically significant number of facilities that use estimates, and auditing all facilities reporting in actual production quantities. This verification and audit process is crucial to insure the integrity of the program.

Every New Jersey solar system owner is eligible to establish an account in this system, and is issued a REC in their account whenever they have cumulated 1000 kWh of solar production. As solar facilities may take a few months to generate 1000 kWh of production, the system carries over production less than 1000 kWh in any one month to the next month. The electronic certificates, or RECs, are deposited into the owner's account, with each certificate uniquely serialized to identify the facility from which it was produced, the technology of the facility, and the month, day, and year it was issued. A bulletin board function facilitates the ability of sellers to find interested buyers, and vice versa. REC owners easily transfer certificates to other account holders once they have made a sale.

Load-serving entities that have an obligation to comply with New Jersey's solar portion of the Renewable Portfolio Standard also maintain accounts in the system, and procure and retire the number of RECs they need to demonstrate compliance with their obligation. Clean Power Markets produces a report for the New Jersey Board of Public Utilities at the end of the true-up period that indicates the number of solar RECs retired by the load-serving entities. The BPU

then uses this report to determine compliance with the solar portion of the State's renewable portfolio standard.

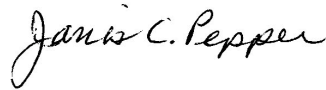
The system also collects price information for all transfers, and posts this price information on the public pages of the website to facilitate as transparent a market as possible. Act 213 states that "the alternative compliance payment for the solar photovoltaic share shall be 200% of the average market value of solar renewable energy credits sold during the reporting period within the service region of the regional transmission organization"². In order to calculate this alternative compliance payment, the average market value of solar RECs sold in New Jersey and Pennsylvania (at this time) will be required. It seems that it would be most efficient and effective for Pennsylvania to adopt a similar credits registry approach to New Jersey in order to determine what this price will be, as it will be a major market driver for the solar REC market in Pennsylvania and provide a huge boost to installation of solar systems in the state.

Clean Power Markets, Inc. urges the Pennsylvania Public Utilities Commission to seriously consider adopting a credits registry approach similar to New Jersey for solar and behind-the-meter facilities. Since Pennsylvania has a specific solar compliance requirement within the State's Alternative Energy Portfolio Standard, tracking solar production and issuing solar RECs similar to the approach taken by New Jersey makes sense. Many of the requirements in Pennsylvania are the same as New Jersey's including the June to May reporting year, and the 3 month true-up period, which would make the existing system easily adaptable to Pennsylvania's needs. Additionally, this approach will alleviate any potential for double-counting of RECs between the two states, for if all solar and behind-the-meter RECs are issued from the same system, there is no ability to make double claims in both New Jersey and

² Act 213, Section 3. (f) (4)

Pennsylvania. Expanding the system used in New Jersey to ensure an equally successful program for solar and behind-the-meter systems in Pennsylvania can be easily accomplished. Clean Power Markets is available to provide more details and explanations to the Commission as desired.

Respectfully submitted,



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