



REVISED COMMENTS

Date: April 17, 2008

To: Western Climate Initiative
Allocations Subcommittee

From: Renewable Energy Marketers Association

Re: Comments on the Proposed Draft Design Recommendations and the Need for a Renewable Energy Set-Aside Provision

The Renewable Energy Marketers Association (“REMA”) appreciates the opportunity to comment on the proposed design recommendations of the Allocations Subcommittee of the Western Climate Initiative (WCI). REMA is a trade association that represents both for-profit and nonprofit organizations that sell or promote renewable energy products through voluntary markets, including renewable electricity and Renewable Energy Certificates (RECs), to individuals, companies and institutions throughout North America. REMA looks forward to working with WCI as it further develops the program design and is available to discuss our recommendations in further detail.

Introduction

The following comments address REMA’s positions regarding the WCI Allocation Design Recommendations, building upon comments previously provided by REMA to WCI in November 2007 and February 2008.

(See: www.renewablemarketers.org/resources.html)

Depending on how it is implemented, a greenhouse gas cap can have a significant impact on voluntary renewable energy sales. Specifically, the treatment of renewable energy under a cap-and-trade program could undermine the voluntary green power market. A primary motivation for voluntary renewable energy purchases is to reduce the buyer’s GHG footprint. This benefit—the ability to reduce electric sector emissions—would be eliminated if voluntary market sales of renewable electricity and RECs are not somehow linked to the retirement of allowances or the reduction of the cap.

The Draft Allocations Design Recommendations Should be Amended to Include a Renewable Energy Set Aside

REMA encourages the WCI to amend the Draft Allocations Design Recommendations to incorporate a set-aside for renewable energy to allow for competition and customer choice.

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REMA recommends a set-aside allowance pool for renewable generators as a means to allocate allowances directly to clean renewable generation that would otherwise not be included under the primary source allocation. In the context of the Regional Greenhouse Gas Initiative (RGGI) in the northeast states, REMA has encouraged set-aside pools for renewable generation. The RGGI model rule does, in fact, include a voluntary renewable energy set-aside and several RGGI states have adopted allocation models that retire allowances on behalf of voluntary renewable sales.

REMA is concerned that the WCI Draft Design Recommendations do not mention renewable energy, the voluntary market, or any sector-specific set-aside. REMA believes there is wide spread support for a renewable energy set aside and strongly encourages the WCI Allocations Subcommittee to incorporate a set aside into the design of the program. The REMA further encourages WCI Partners to avoid the use of a hard cap on voluntary renewable energy set-aside pools. Rather the REMA recommends that the allowances retired through such set-asides be allowed to grow in proportion to the size of the state's/province's voluntary renewable market^{1 & 2}

Why the WCI Draft Allocations Design Recommendations Should be Amended Now as Opposed to Later to Include a Renewable Energy Set Aside

The present WCI Draft Allocations Design Recommendations make no provision for a set-aside provision for renewable energy, or for the voluntary market. We believe that the Allocations Subcommittee needs to highlight this issue now so that it will be incorporated into the final draft design of the WCI Work Plan.

The WCI Draft Allocations Design Recommendations remain at a high level which means many over-arching policy decisions will be left to individual states. The nature of a multi-state climate policy requires a level of cooperation and consistency to avoid market balkanization and reduce complexity. In fact one of the design principles identified in the present draft recommendations is to *Promote consistent regional program standards and methods*. Establishing an agreement on the need for a renewable energy set aside in the WCI Design Document will advance this important principle of

¹ As an example, the REMA and the Renewable Energy Marketing Association (REMA) recently suggested that New York adopt a sound approach to managing a voluntary renewable energy set-aside account by starting with an initial allocation of allowances based on a percentage of overall allowances (in NY's case, one percent) and subsequently triuing-up the account in the following year, based on actual sales. This will ensure that customers in a given state/province who purchase renewable energy through the voluntary market are indeed receiving the GHG benefits they have sought to buy.

² For further discussion of a Voluntary Renewable Energy Set-Aside for WCI, please see comments filed to the WCI Allocations Subcommittee by REMA on February 1, 2008.

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program consistency. It also advances several other principles including: *Maximize the program's GHG reduction potential.*

Building Upon Strong National Growth in Voluntary Renewable Energy Markets

REMA believes that there is widespread support for a Voluntary Renewable Energy (VRE) set-aside. Many others -- policymakers, renewable energy developers, green power purchasers, environmental advocates and energy analysts, share this view. The current scope of the voluntary portion of RE market is large and growing very quickly.

There are un-audited numbers that demonstrate that 20 million MWH of RE has been delivered to voluntary customers in 2007, alone. Of that amount, 15 million MWhs was sold in the form of RECs. This is approximately equal to the same number of MWH that were delivered by RPS compliance markets. In short, voluntary purchases are driving as much new RE as there is by mandated compliance markets. Further, the REC market grew 50% last year and 40% annually for the 3 years prior. This is significantly faster than the compliance markets are growing.

Building Upon the Experience with Voluntary Renewable Energy Set Asides in RGGI

As you certainly know, in the Northeast Regional Greenhouse Gas Initiative (RGGI) the model rule developed co-operatively by all stakeholders to guide individual states includes a voluntary set-aside provision for Renewable Energy. The majority of RGGI states -- Connecticut, Maine, Massachusetts, Rhode Island, New York, New Hampshire, and Maryland -- have followed the guidance provided by the model rule and have included VRE provisions in their RGGI legislation or draft or final rules.³ By including an appropriate provision in its regulations, the Western Climate Initiative will not only ensure that voluntary purchases by individuals and businesses remain robust, but also will ensure the economic and environmental benefits that come from REC sales and from the development of new renewable energy projects to support those sales.

We would also ask the Allocations Subcommittee to encourage WCI partner states and provinces to work toward consistent provisions in these set-asides. While the RGGI states have set an important precedent, set-aside provisions among the states vary, creating a balkanized regulatory landscape that is not optimal. We would urge the WCI to improve upon the work of the RGGI.

Conclusion: Customer Choice is at Stake without a Renewable Energy Set-Aside

³ New Jersey and Delaware have not yet issued draft rules. Maine recently passed legislation to include a set-aside and Vermont is considering as part of a Public Service Board process.

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In closing, we would like to thank the Allocations Subcommittee for the opportunity to comment. Voluntary renewable energy markets offer citizens and businesses the power of choice—a fundamental value in our society. We believe it is essential to encourage individuals and organizations to make meaningful choices about their electricity supply, and in so doing, help address climate change, reduce air pollution, and support the transition to a cleaner energy future.

Sincerely,

The Renewable Energy Marketers Association

The views expressed by REMA in this regulatory filing do not necessarily represent the views of each individual member company.

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