Policy Memo

Double-Counting Risks in New Market Accounting Frameworks for State Clean Energy Programs

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Overview

Developments in new regional wholesale electricity markets for the Western interconnect could impact the integrity of state clean energy and greenhouse gas (GHG) programs. The California Independent System Operator (CAISO) and Southwest Power Pool (SPP) have proposed new frameworks for their real-time and day-ahead markets that would allocate generation and emissions to load-serving entities (LSEs) across the Western region. These frameworks introduce a risk of double-counting renewable energy because they do not coordinate with the existing Western Renewable Energy Generation Information System (WREGIS) framework for Renewable Energy Certificates (RECs). Unaddressed, this double-counting risk could undermine clean energy goals, mislead consumers, and compromise GHG reduction claims.

Background

New accounting or tracking and reporting frameworks by CAISO and SPP are being designed to allocate electricity generation and emissions data on a resource-specific basis directly to LSEs, a system that could bypass the REC tracking system managed by WREGIS. RECs are the standard instrument for allocating renewable energy generation to load and verifying renewable energy delivery and usage in compliance and voluntary programs across the West and the country. Each REC represents one megawatt-hour of renewable energy and includes emissions and all other generation attributes for compliance with clean energy goals. Uncoordinated market-based allocations could lead to the same unit of renewable energy being counted multiple times or allocated to different load in different jurisdictions, which conflicts with established state policies that rely on RECs.

Double-Counting Risks

1. **Attribution Mechanisms**: CAISO's and SPP's in-market mechanisms for attributing or "deeming" generation and emissions to state load for GHG pricing programs could create conflicting claims. For instance, if CAISO deems renewable energy as serving California load and the associated RECs are retired by an LSE in another state (e.g., Colorado), the same generation and environmental attributes are being claimed in two different states.
2. **Allocation Frameworks**: Both CAISO and SPP are also proposing out-of-market tracking or accounting frameworks to serve other states with non-pricing GHG regulations (e.g., Clean Electricity Standards, or GHG reporting or compliance programs for LSEs) and energy consumers that report emissions associated with purchased electricity. Under these frameworks, participating resources are

mapped to LSEs based on contractual agreements and then energy and emissions are allocated certain loads post market run. This again means renewable energy could be allocated to and reported by LSEs if the associated RECs are retained by or sold to a different LSE or customers unless these frameworks are coordinated with WREGIS.

Implications for State Programs and GHG Goals

Many state renewable portfolio standard (RPS), clean energy, and GHG programs in the West depend on RECs to substantiate renewable and/or carbon-free energy usage and delivery. If markets allocate renewable energy or associated emissions to loads without the corresponding RECs, it can lead to inaccurate clean energy and emissions reporting. In addition to RPS, programs like California's Low Carbon Fuel Standard, Washington's Clean Energy Transformation Act, and Oregon's Clean Fuels Program could be compromised, as they rely on REC tracking for emissions reductions verifications.

Recommendations for State Policymakers

1. **Request Coordination of Market Attribution and Allocation with REC Data in WREGIS**: To avoid conflicting claims, state policymakers should advocate for CAISO and SPP to share their allocation data with WREGIS, and for WREGIS to integrate this data into its system. This would enable states and voluntary programs to identify RECs associated with generation that has been allocated and ensure that REC transfers and retirements are consistent with market-based allocations, if they wish. This would provide states with the information needed to preserve exclusive retail claims.
2. **Require REC Ownership for Allocation**: States should require that renewable energy allocated to an LSE within CAISO's or SPP's frameworks may only count towards clean energy goals if the LSE holds the associated RECs or equivalent RECs associated with generation in the market. This requirement would align state clean energy standards with market operations and prevent double counting.
3. **Harmonized Clean Energy and GHG Tracking and Accounting for State Programs**: State policymakers in the West should harmonize clean energy and GHG tracking and accounting rules in their programs. Specifically, "consumption-based" programs—regulating the generation and/or emissions associated with electricity that is *consumed, sold, delivered, or imported* to the state—should require the transfer and retirement of RECs for renewable energy that is counted.
4. **Explore a Unified Tracking System**: To reduce complexity and improve transparency, policymakers should support the development of an all-generation certificate tracking system within WREGIS. In concert with market allocation frameworks, this approach would create a comprehensive system to track generation and emissions to load across the West.

Conclusion

The new CAISO and SPP allocation frameworks could inadvertently lead to double counting of renewable energy in the West, undermining state clean energy programs and consumer trust in renewable claims. States should proactively address this risk by advocating for data coordination between these markets and WREGIS, ensuring REC ownership aligns with renewable energy allocations, and potentially moving towards an integrated all-resource regional tracking system. Taking these steps will help maintain the integrity of renewable energy programs and exclusive retail claims and reinforce the progress towards state and regional clean energy goals.