Roth: Clean-energy standard, Part 3

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Continuing our series on the idea of a national clean-energy standard, this week let's look a little closer at the states we discussed last time: California, Oregon and West Virginia.

California permits renewable-energy credits, or RECs, to be bought and sold by electricity generators. RECs are defined as a certificate of proof that electricity was generated and delivered by an eligible energy resource. One REC represents 1 megawatt-hour, or MWh, of electricity generated from a renewable source. Put another way, utilities that are using renewable energy sources to generate electricity receive a credit. That REC can be sold or purchased by other utilities to meet their requirement.

This marketplace for RECs is not limited to California, however. The Western Renewable Energy Generation Information System, or WREGIS, is responsible for maintaining and issuing RECs to eligible utilities for 14 states and two Canadian provinces. This marketplace allows utilities throughout the Western part of the United States to purchase RECs from each other to meet their standards.

Oregon, also a member of WREGIS, permits RECs for utilities to meet their mandate. A key difference, however, is that it permits unbundled RECs. When a utility generates electricity from a renewable source, it creates two elements of economic value. First, it is able to use that renewable generation to count toward its renewable portfolio standard requirement. Second, the utility can receive the REC or the certificate itself for its actual generation, and also for its requirement. So in Oregon, a utility can purchase another utility’s certificate, without corresponding generation. As a result, a utility could still be providing electricity to its customers from “dirty” sources, but its requirement by purchasing an unbundled REC. California, to the contrary, does not permit unbundled RECs.

West Virginia permits compliance through an alternative-energy credit, or AEC. There, a utility can earn an AEC, or one credit, for a MWh of generation from an alternative fuel source. Two credits can be earned for each MWh of generation purchased from a renewable source, and three credits when it generates electricity from a renewable source on a reclaimed surface mine.

California, again, is more aggressive, by only allowing bundled credits. Oregon permitting unbundled credits bolsters that marketplace. Hypothetically, this choice allows a utility to be aggressive and then be rewarded both by being within compliance and generating capital by selling an unbundled credit. However, West Virginia allows for credits to encourage other ways to provide “clean” energy like offsetting carbon generation. These differences are reflective of important regional distinctions regarding energy use, electricity fuel supplies, and local economies and shed light on the challenge of developing a national policy.

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