

# VOLUNTARY RENEWABLE SET-ASIDE ACCOUNT



## GUIDANCE DOCUMENT

March 31, 2009

# Maryland Department of the Environment

## Voluntary Renewable Set-aside Account

---

### I. Purpose of this Guidance Document

The MD CO<sub>2</sub> Budget Trading Program's Voluntary Renewable Set-aside Account, Code of Maryland Regulations (COMAR) 26.09.02.08, outlines a process for the retirement of CO<sub>2</sub> allowances in exchange for the voluntary purchase of electricity generated from renewable energy demonstrated through the retirement of Renewable Energy Certificates (RECs). This Guidance Document was developed to provide additional assistance to interested parties on the process for exchanging retired RECs for the retirement of CO<sub>2</sub> allowances.

### II. Background

PJM Interconnection (PJM) is the regional transmission organization that coordinates the movement of wholesale electricity in all or parts of 13 states, including Maryland, and the District of Columbia. PJM manages the high-voltage electricity grid to ensure electricity reliability for more than 51 million people. PJM is a federally regulated entity and keeps the electricity supply and demand in balance by telling power producers how much electricity should be generated and by adjusting import and export transactions.

PJM's Generation Attributes Tracking System (GATS) was developed as a tool for tracking electricity coming into or generated in the PJM region. PJM Environmental Information Services, Inc. (PJM EIS) owns and administers GATS. GATS is an information system that supports a range of reporting, verification, and compliance requirements, such as disclosure, Renewable Portfolio Standard reporting, and voluntary retail markets. It is a regional system that enables PJM states to support electricity supply needs and priorities. GATS provides an efficient process for collecting information on all electricity generation resources, all MWh produced and all load served in the PJM region. All Certificate transfers involving electricity are recorded in GATS. For MDE, a Certificates approach and central database provides an efficient way to monitor, verify and document compliance.

GATS tracks each megawatt-hour (MWh) of electricity generated in or imported into the PJM region by creating a unique electronic Certificate which

contains information that can be tracked through the system. Clean Energy Portfolio Standard (CEPS) Certificates are created in GATS depending on an individual state's laws or regulations for compliance with a Renewable Portfolio Standard. In Maryland, CEPS Certificates in GATS are also called renewable energy Certificates (RECs); one REC represents one MWh of electricity generated from renewable energy. The Certificates for all MWh of electricity generation are maintained in Subscriber User Accounts.

Any person that wants to transact business through GATS must register with GATS to establish an account (<http://www.pjm-eis.com/gats/about-gats.html>). Anyone is eligible for establishing an account in GATS.

The GATS Operating Rules document can be found at:

<http://www.pjm-eis.com/documents/downloads/gats-operating-rules.pdf>

The GATS overview can be found at:

<http://www.pjm-eis.com/documents/downloads/20060531-gats-web.pdf>

The account structure for an Account Holder in GATS contains four types of Subaccounts:

- 1) Active Subaccount;
- 2) CEPS Subaccount;
- 3) Retail LSE Subaccount (this type of Subaccount is only applicable to LSE Account Holders who must have at least one Retail LSE Subaccount for each state in which they serve load), and
- 4) Reserve Subaccount.

According to the GATS Operating Rules (weblink above), Certificates are deposited either into the Active or CEPS Subaccount upon creation, based on the source of generation. An Account Holder can then transfer Certificates to other Subaccounts within its Account.

**The Active Subaccount** is the holding place for all active Certificates that originate from PJM electricity generators or are imported into PJM. The Active Account is compared to a checking account.

**The Clean Energy Portfolio Standard (CEPS) Subaccount** holds unsold, unused CEPS-eligible Certificates. The Maryland Public Service Commission defines eligibility for MD Renewable Energy Certificates.

**The Retail LSE Subaccount** is not a subaccount available for Account Holders that are not Retail Load Serving Entities

**The Reserve Subaccount** is used to track Certificates that are reserved by the Account Holder, exported from GATS, or retired. Transfers to the Reserve Subaccount are strictly one-way; there is no method for Certificates to be withdrawn or removed from a Reserve Subaccount.

The Account Holder must indicate for what purpose the Certificate was reserved and this information is captured in a mandatory field in the GATS system. To indicate the reason for retirement, GATS has a pull-down menu of options that can be selected as well as a write-in option. The indicated reason cannot be modified once a transfer to the Reserve Subaccount has been authorized by GATS. The Account Holder will be required to write-in "MD CO<sub>2</sub> Budget Trading Program" as the reason for retirement for the purpose of the VRE Account in order for the transaction to be identified for the retirement of CO<sub>2</sub> allowances.

The Account Holder can generate a hard copy report, called the Reserve Subaccount Form, that documents the transfer of Certificates into the Reserve Subaccount. Copies of Reserve Subaccount Forms are required documentation under COMAR 26.09.02.08.

### **III. Process – How to Use the VRE Account**

In order to utilize the VRE Account, first a GATS account must be created at the PJM-EIS website <http://www.pjm-eis.com/gats/about-gats.html>. To retire CO<sub>2</sub> allowances for the VRE Account, the following steps must be taken after the Account Holder has accessed the GATS system:

- Select a REC or block of RECs that are to be retired.
- When prompted for the reason that the REC is being reserved, enter "Maryland CO<sub>2</sub> Budget Trading Program" into the appropriate field.
- Submit to the Department the Reserve Subaccount Form, as well as other information outlined in COMAR 26.09.02.08, for each REC or block of RECs retired.
- The Department will verify all submitted Reserve Subaccount Forms with PJM EIS. Each person submitting Reserve Subaccount Forms will be notified to confirm of the number of CO<sub>2</sub> allowances to be retired. Retirement of CO<sub>2</sub> allowances will occur by December 31 of each calendar year for submittals received by April 1 of that year. Submittals received after April 1 will be processed for the retirement of CO<sub>2</sub> allowances in the following calendar year.