SUBMITTED ELECTRONICALLY
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October 24, 2014

The Honorable Gina McCarthy, Administrator
Environmental Protection Agency
U.S. EPA Headquarters—William J. Clinton Building
1200 Pennsylvania Avenue, NW
Washington, DC 20460

Re: Comments of the Clean Energy States Alliance (CESA) on Docket ID No. EPA-HQ-OAR-2013-0602

Dear Administrator McCarthy:

The Clean Energy States Alliance (CESA) offers the following comments on the proposed emission guidelines for states to follow in developing plans to address greenhouse gas emissions from existing fossil fuel-fired electric generating units, Agency Docket Number EPA-HQ-OAR-2013-0602.

CESA is a national, nonprofit coalition of public agencies and organizations working together to advance clean energy technologies and markets. CESA members—mostly state agencies—include many of the most innovative, successful, and influential public funders of clean energy initiatives in the country. CESA supports effective state and local policies, programs, and innovation in the clean energy sector, with emphasis on renewable energy, power generation, financing strategies, and economic development. The comments below have been authorized by the CESA Board of Directors, but do not necessarily represent the views of individual CESA member organizations.

CESA Commends EPA for Proposing a Flexible Approach that Recognizes Differences among States

Each state has a unique CO_2 emissions profile, economy, and energy use patterns. And each state has already developed a range of energy policies and programs that have been designed to advance a range of state interests related to economic growth, public health, environmental quality, and security. We therefore commend EPA for developing a plan that allows individual states to have flexibility when selecting specific compliance strategies for meeting the emissions-reduction targets that EPA has developed. It is important that each state be given wide latitude to decide on the particular components of its state plan. Such flexibility will enable states to take actions that minimize the cost of compliance and accomplish other state goals at the same time that they reduce CO_2 emissions.

For similar reasons, we commend EPA for giving states the option of working together to develop and implement multi-state action strategies.

The Final Rule Should Reinforce and Support Existing State Efforts to Advance Renewable Energy

Over the past two decades, most states have developed and implemented important policies and programs for advancing renewable energy. These policies and programs—renewable portfolio standards (RPSs), system benefit charge funds, tax incentives, grants, business support incentives, and others—have played a crucial role in the development of renewable energy and other clean energy technologies in the United States. These policies and programs can continue to play important roles in the future. Some of them can be used to help the states achieve their emissions reduction targets under EPA's Clean Power Plan.[1] But it is essential that EPA's final rule avoids undercutting these state efforts and instead reinforces and strengthens them.

RPSs, in particular, have proven to be especially potent state policies, but could be weakened by the final §111(d) rule, if it is not carefully constructed. The Commerce Clause of the US Constitution limits state restrictions that favor in-state projects over out-of-state projects for RPS compliance. Consequently, states have supported the development of hundreds of megawatts of clean energy generation capacity beyond their borders. It is in EPA's and the nation's interest to have these interstate effects continue. However, if states cannot receive credit under §111(d) for the clean energy generation projects they cause to be built beyond their borders, they would be incentivized to scale back their RPSs, which would have a constraining effect on renewable energy markets. The same dynamic would occur with other state policies and programs that have positive effects beyond a state's borders.

To avoid this problem and to be fair, if the renewable energy certificates (RECs) from a particular electricity generator in one state are retired in a different state, then the state that retires the RECs should receive credit for the emission reductions associated with the generation. To avoid double-counting the same emission reductions, the state where the generator is located should not receive credit for emission reductions. This established approach to crediting emission reductions, based on REC ownership and retirement, should be required of all states that use RECs to demonstrate compliance under the Clean Power Plan.

In addition, the final §111(d) rule should give consideration to states such as Alaska, which does not have a statewide electric transmission system to facilitate use of BSER blocks 2, 3, and 4 in achieving compliance with target emission rates.

Existing Systems Can Be Used to Track Renewable Energy Generation

Fortunately, sound methods already exist for quantifying renewable energy production, and linking it to emissions reductions.[2] Renewable energy in the U.S. is tracked by the megawatt

[1] EPA's proposed rule is the "Carbon Pollution Emission Guidelines for Existing Stationary Sources: Electric Utility Generating Units" herein referred to as "the 111(d) rule" or "Clean Power Plan."

[2] See Robin Quarrier and David Farnsworth, *Tracking Renewable Energy for the U.S. EPA's Clean Power Plan: Guidelines for States to Use Existing REC Tracking Systems to Comply with 111(d)* (Center

hour (MWh) through tracking systems that have been developed to be transparent and to support regulatory compliance.[3] As EPA has recognized, tracking systems "can be used to verify compliance with a Renewable Portfolio Standard, to help creation of environmental disclosure labels, and to substantiate voluntary green power or environmental claims."[4] A REC equals a verifiable and quantifiable amount of generated renewable energy and provides the basis for demonstrating ownership of renewable energy attributes.[5]

As states consider their Clean Power Plan compliance options, they should be able to rely on the existing tracking systems that are already in widespread use around the country, and that are familiar to generators and load-serving entities. The use of these tracking systems can ensure the proper accounting for renewable energy generation and use. Moreover, tracking systems could readily be adapted to keep track of certificates that may need to be monitored as part of a state's §111(d) clean power plan even though the certificates do not count toward the RPS (because the power comes from a generator whose technology is not eligible for that RPS or was built before a state's RPS became effective).

If it would be useful to you, we would be happy to discuss these points with you or provide additional information.

Sincerely,

Warren Leon
Executive Director
Clean Energy States Alliance

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for Resource Solutions and Regulatory Assistance Project, June 2014), available at www.resource-solutions.org/pub_pdfs/Tracking%20Renewable%20Energy.pdf

[3]These tracking systems, known by their acronyms, are located around the country: WREGIS (Western Renewable Energy Generation Information System), M-RETS (Midwest Renewable Energy Tracking System, ERCOT (Electric Reliability Council of Texas), PJM GATS (PJM Generation Attribute Tracking System), NEPOOL GIS (New England Power Pool Generation Information System), MIRECS (Michigan Renewable Energy Certification System), NC-RETS (North Carolina Renewable Energy Tracking System), NYSERDA (New York State Energy Research and Development Authority) under development, NVTREC (Nevada Tracks Renewable Energy Credits), NAR (North American Renewables Registry). A map of these systems is available on the website of the Center for Climate and Energy Solutions at www.c2es.org/us-states-regions/policy-maps/renewable-energy-credit-tracking.

[4] "REC Tracking," www.epa.gov/greenpower/gpmarket/tracking.htm.

[5] To ensure that each REC is owned by one person or entity at a time, each REC is assigned a unique serial number, and is held in an account by a tracking system registered participant. To ensure that each REC can be used only once, tracking systems require that RECs claimed for compliance must be retired or cancelled.