



July 22, 2024

Rhode Island Public Utilities Commission
89 Jefferson Blvd
Warwick, RI 02888
Submitted electronically via PUC.PublicComments@puc.ri.gov

RE: 3Degrees Group, Inc.’s Comments in Docket 24-26-EL

Dear Commissioners,

3Degrees Group Inc. (“3Degrees”) appreciates this opportunity to provide feedback to the Rhode Island Public Utilities Commission (“Commission”) on key questions related to the Commission’s investigation into the current state of voluntary and renewable energy markets in Rhode Island.

About 3Degrees

3Degrees is a leading provider of comprehensive renewable energy and carbon mitigation products, programs, and services. To this end, 3Degrees serves hundreds of corporate and institutional customers nationwide; many of these customers voluntarily purchase hundreds of thousands of renewable energy certificates (RECs) annually, including in Rhode Island. 3Degrees also works closely with utilities across the country, including several in states neighboring Rhode Island, to help them serve customers who voluntarily participate in utility green power programs. In addition, 3Degrees is also an active market participant in the ISO-NE REC market.

Response to Question 1: How might counting voluntary RECs toward the RES positively or negatively impact Rhode Island’s RES and ability to meet the mandates of the Act on Climate?

3Degrees respectfully states that counting voluntary RECs towards Rhode Island’s RES mandates will be detrimental to Rhode Island’s voluntary market, renewable development, and ability to meet the mandates of the Act on Climate (the Act). 3Degrees strongly believes that preserving regulatory surplus and avoiding double-counting claims is critical to maintaining both the voluntary and compliance REC markets and to continuing Rhode Island’s path to emissions reductions, and therefore urges the Commission not to count voluntary RECs towards the targets set by the RES.

Voluntary purchasers of RECs value the notion that their participation in the REC market is contributing to emission reductions and the development of renewable energy above and beyond what otherwise would have been contributed by their electricity provider under the RES.

This concept is referred to as “regulatory surplus.” To allow a voluntary REC purchase to directly contribute to the RES eliminates the fundamental principle of regulatory surplus and places some of the financial burden for compliance with RES mandates imposed on Rhode Island electricity providers on voluntary market participants instead.

By counting voluntary RECs for RES compliance, electricity providers will face a lessened incentive to purchase their own RECs to demonstrate their RES compliance. With voluntary purchases now contributing to the bare minimum of REC purchases usually required of electricity providers, the Commission would effectively reduce the cumulative total RECs purchased per year, because the electricity provider will need to purchase fewer RECs to demonstrate compliance. It will then be more difficult for Rhode Island to comply with the economy-wide emissions mandates of the Act without the benefit of voluntary REC purchases adding *additional* emissions reductions to the state portfolio; instead, lessening the burden on electricity providers directly, while increasing the burden on other market sectors.

Allowing for voluntary REC purchases to contribute to the RES also creates an opportunity for “double-counting” the emissions attributes contained in a REC. Voluntary REC purchases are meant to provide the REC buyer with individualized ownership of the environmental attributes of the underlying renewable electricity. That voluntary purchaser is solely entitled to “claim” the use of the renewable energy and the emissions profile associated with it. If those RECs are also used to measure an electricity provider’s compliance with the RES, then the same renewable energy generation could be providing two “double-counted” claims on the same energy use and emissions reductions. Mitigating double-counting is a fundamental principle of the validity of book-and-claim REC markets. Forgoing those principles will have an overall negative effect on the use of RECs for both voluntary and compliance markets.

Response to Question 2: How might counting of voluntary RECs toward mandatory requirements impact customer choice and transparency?

As mentioned in the response to Question 1, voluntary purchases of RECs by corporates, universities, and health systems, as well as by residential customers participating in voluntary third party choice or green power utility programs are made in an effort to buy more renewable electricity than what would be delivered under a more basic offering of the electricity provider. Counting voluntary action towards mandatory requirements of the RES will lead to a loss of regulatory surplus and introduce real or perceived double-counting, losing credibility for the more individualized voluntary claims apart from the electricity provider’s RES compliance claim and, in turn, weakening the value of voluntary investments in renewable energy development. These impacts on the quality of the voluntary purchases will disincentivize customer choice.

Response to Question 5: How might the inclusion of voluntary RECs in the RES affect the market, pricing, and availability of RECs?

The inclusion of voluntary RECs in the RES will have a significant impact on the value of those RECs. As we've seen in the WECC regional REC market in reaction to the implementation of HB2021 and the similar regulatory surplus and double-counting issues it raised, real or perceived double-counting and the loss of regulatory surplus will cool demand for voluntary market participation. Contractual counterparties likely will be unable to agree on whether a REC meets contractual criteria to avoid double-counting, and common contractual terms like 'sole ownership' will no longer be sufficient to mitigate contractual risk.

As a result, a potentially double-counted REC will have little to no value in the voluntary market. This in turn could ultimately impact project financing and renewable buildout across Rhode Island. The RES subsidizing effect of counting voluntary purchases toward mandated goals will also limit demand for Rhode Island RECs from the electricity providers themselves. Taken together, 3Degrees anticipates that the result of incorporating voluntary REC purchases into compliance with the RES would increase the complexity and difficulty of navigating the REC markets in New England, yielding a regional chilling effect on both demand and pricing.

3Degrees appreciates this opportunity to provide comments to the Commission, and we welcome further discussion on this topic.

Sincerely,

/s/ Lexi Concannon

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