

# Electric Utility Week

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## Mass. agency to hold first auction of renewable energy certificates

The Massachusetts Technology Collaborative will hold its first auction of renewable energy certificates next month, in a move that industry players hope will help ease what has proven to be a tight and expensive market for the certificates.

The agency, which oversees the state renewable energy fund, plans to offer 5,000 renewable energy certificates Feb. 3 in an auction conducted by Evolution Markets. The certificates come from a landfill gas-to-energy facility in Chicopee, Mass.

The certificate market is tight in Massachusetts because the state's renewable portfolio standard requires that utilities and retail suppliers purchase 2% of their power from renewables this year. The state lacks enough renewable energy to cover the requirement, which increases by 0.5% per year until it reaches 4% in 2009.

Although Massachusetts has several state programs to spur renewable development, they are relatively new, so construction of projects has not yet caught up with demand. If utilities and suppliers cannot find enough certificates to comply with the RPS, they must make an alternative compliance payment to the state of \$51.40/MWh. Massachusetts RECs are trading close to the alternative payment charge at about \$50/MWh, according to Evolution Markets.

Several utilities have turned the responsibility of securing RECs over to the wholesale suppliers, who provide their default or standard offer service power. As part of its contractual obligation to provide power, the supplier must either come up with enough RECs for the utility to meet the RPS or else cover the cost of the alternative compliance payment.

However, Massachusetts Electric, which makes up about 40% of the state's REC demand, has been forced to navigate the state's tight REC market because some of its older, long-term contracts do not require that the suppliers find the certificates. The contracts were set up before the RPS requirement began.

So far, the National Grid USA subsidiary has been able to secure the needed certificates, but the search is getting harder. "We're finding that available supply is dwindling and the price we are paying is creeping up higher and higher toward the alternative compliance payment," said Mike Hager, vice president of energy supply.

While the 5,000 certificates offered by the MTC is small in comparison to the 250,000 the utility needed last year, Hager says it is a step in the right direction in relieving market pressure.

Select Energy, an unregulated Northeast Utilities subsidiary which offers standard offer and default service for Massachusetts utilities, says that it has become "challenging" to secure certificates in Massachusetts because the state only allows "new"

renewable energy projects to generate RECs. Projects built before Dec. 30, 1997, do not qualify.

"We're certainly working very hard at this and exploring all opportunities that are out there," said a Select Energy spokesman. "But you're relying on a lot of new projects and some are just in talking stages or bogged down in siting issues." He added that the state needs to find a way to review renewable projects more quickly, so that more projects begin operation and can generate RECs.

The state's largest renewable project, a 400-MW offshore wind farm proposed in Nantucket Sound, has been bogged down for three years in state and federal regulatory proceedings. The state siting board is now considering a request by project opponents that it reopen its review, so that it can study a recent 4,000-page Environmental Impact Statement released by the U.S. Army Corps of Engineers.

Patricia Stanton, director of renewable energy markets for Conservation Services Group, a non-profit that facilitates certificate trading, said the demand for certificates has spurred a "lot of creativity over a fairly short period of time." One approach used by her company is to help out-of-state renewable energy providers become qualified to supply Massachusetts RECs and import them into the state, a difficult process which requires a physical transfer of electricity into the New England market. CSG helped Innovative Energy's 20-MW landfill gas facility become the first generator to move renewable energy from New York to New England last March.

Stanton said she believes the construction of renewable energy plants will catch up to the demand for RECs. "The price signal in 2004 was expected and is good news. It is creating a lot of investment interest. It takes awhile to go from investment interest to energy production," she said. "Anybody who can predict when the market will settle out will make a lot of money."

The MTC has several programs under way to spur more development of renewable energy projects. For example, the agency buys RECs from developers to give them seed money to build renewable energy projects. The MTC then resells the certificates. The agency is now offering to buy about \$15 million in certificates and related contracts from developers, with bids closing March 18. Information on that solicitation is available by contacting Nils Bolgen at the MTC, [bolgen@masstech.org](mailto:bolgen@masstech.org).

Information about the February auction of 5,000 RECs is available by contacting, Anna Giovinetto; Director, Environmental Markets; Evolution Markets; (914) 323-0255; [agiovinetto@evomarkets.com](mailto:agiovinetto@evomarkets.com).