Reporting and Verification Guidance for RPS Adjustment Claims
for California's Mandatory GHG Reporting Program

Introduction

This document provides guidance on complying with the requirements for claiming an RPS (Renewable Portfolio Standard) adjustment under Mandatory Reporting of Greenhouse Gas Emissions (title 17, California Code of Regulations (CCR), section 95100 et seq.) (MRR) and the Cap-and-Trade Regulation (title 17, CCR, sections 95801 et. seq.). This document describes the types of evidence that an electric power entity (EPE) could provide to a California Air Resources Board (CARB) accredited verifier to ensure that requirements for eligibility to claim an RPS adjustment are met, and includes several frequently asked questions.

Unlike MRR, this guidance does not have the force of law, does not establish new mandatory requirements for greenhouse gas (GHG) reporting, and in no way supplants, replaces, or amends any of the legal requirements of the Regulation. Conversely, an omission or truncation of regulatory requirements in this guidance does not relieve operators of their legal obligation to fully comply with all requirements of MRR.

Recent revisions to this guidance document are included in the first bullet of section 3 (page 3), and FAQs 5.1, 5.2, and 5.5.

1 RPS Adjustment Overview

The RPS adjustment represents an optional "adjustment to the compliance obligation to recognize the cost to comply with the RPS program,"[1] in cases where renewable electricity was procured by California a retail provider for compliance with the California RPS program and the associated electricity was not directly delivered to the State. Because the statutory mandate of AB32, the California Global Warming Solutions Act of 2006 requires CARB to account for imported electricity, which MRR and the Cap-and-Trade Regulation have done through source-based emissions accounting based on the direct delivery of power. The RPS adjustment may result in a reduction to the compliance obligation when requirements of the RPS adjustment are met.

[1] 2010 MRR Final Statement of Reasons, pp 108-109. https://www.arb.ca.gov/regact/2010/ghg2010/mrrfsor.pdf

2 RPS Adjustment Requirements

As MRR provides in section 95111(b)(5), electricity included in the RPS adjustment must meet the requirements of section 95852(b)(4) of the Cap-and-Trade Regulation, including the following:

- **Ownership or contract right for electricity and RECs:** Under section 95852(b)(4)(A), the EPE must have a contract to procure (or to procure on behalf of another purchasing entity) both the electricity and the associated RECs generated by the eligible renewable energy resource. The EPE must have ownership in, or a contract to procure the bundled output of the eligible renewable electricity generator, where the power and the RECs are procured at the same time from the eligible source. Contractually, the purchasing entity subject to the California RPS must be party to a contract with the EPE if the EPE is not subject to the RPS, as described in section 95852(b)(4)(A) of the Cap-and-Trade Regulation. In this case, the EPE must have a contract to procure the bundled output, both the electricity generated and the associated RECs, on behalf of the purchasing entity subject to the California RPS.
- **Electricity generated in a linked jurisdiction:** Under section 95852(b)(4)(E), the electricity must not have been generated in a jurisdiction where a GHG emissions trading system has been approved for linkage to California Cap-and-Trade Program.
- **RECs purchased and retired:** MRR requires an EPE claiming an RPS adjustment to report the REC serial numbers "associated with [the RPS adjustment that have been] designated as retired for the purpose of compliance with the California RPS program," pursuant to section 95111(g)(1)(M)(1). RECs associated with an RPS adjustment must be reported and retired according to section 95852(b)(4)(B) of the Cap-and-Trade Regulation. The amount of RPS Adjustment claimed cannot exceed the quantity of retired RECs reported by the EPE, which is similar in concept to the lesser of analysis under the meter data requirement under section 95111(b)(2)(E) of MRR. The inability to correctly report or retire associated RECs would invalidate the RPS adjustment.
- **Not directly delivered to California**: The Cap-and-Trade Regulation in section 95852(b)(4)(D) requires that "no RPS adjustment may be claimed for an eligible renewable energy resource when its electricity is directly delivered" to California. This requirement is discussed in more detail in section 3 of this guidance document.

3 RPS Adjustment and Direct Delivery Requirements

Section 95852(b)(4)(D) of the Cap-and-Trade Regulation states that "no RPS adjustment may be claimed for an eligible renewable energy resource when its electricity is directly delivered." Where electricity is directly delivered, the EPE that directly delivered the electricity "must report all direct delivery of electricity as from a specified source for facilities or units in which they are a generation providing entity (GPE) or have a written power contract to procure electricity" (95111(a)(4) of MRR).

An EPE claiming the RPS adjustment must be prepared to provide evidence to its verifier that the electricity associated with the RPS adjustment was not directly delivered to California. Types of evidence can include, but are not limited to:

- E-Tags that document the path of the power associated with the RECs used for the RPS adjustment from the generating facility to a sink point outside of California. If there are multiple entities that imported power to California, or are claiming an RPS adjustment from the renewable resource within the same timeframe, each entity claiming the RPS adjustment must be able to show a verifier that the RECs used for their RPS adjustment represent a unique portion of the non-directly delivered electricity. After the June 1 deadline, CARB staff will review the REC data submitted to identify any overlapping REC serial numbers reported. REC overlaps for RPS adjustment claims are considered correctable errors, which, if left uncorrected, would result in an adverse verification statement.
- Documentation showing that the eligible renewable facility is not interconnected to a transmission system that allows direct delivery to California.

Prior to verification, an EPE should understand how they intend to document that electricity associated with an RPS adjustment claimed was not directly delivered. Beginning with 2018 data reported in 2019, an EPE must include in their GHG Inventory Program documentation how the EPE determined that the electricity associated with their RPS adjustment claims was not directly delivered to California, pursuant to section 95105(d)(6). Please contact CARB if you need assistance in determining which documentation may be applicable.

Imported power that meets the definition of directly delivered electricity must be reported as specified source imported electricity. This includes electricity conveyed to the importer as specified under seller warranty provisions, as well as when specified source electricity is imported by the GPE. This is the case regardless of any contracts dictating sale or ownership status of RECs, and regardless of contracts that seek to convey greenhouse gas benefits of zero emission power to other counterparties. Importers directly delivering power from specified sources may not "voluntarily" report the power as unspecified, regardless of REC ownership or ability to obtain REC serial number data. For more information regarding the requirements for reporting specified source imports, see the Electric Power Entity Reporting Requirements Frequently Asked Questions (FAQs) document.

An EPE that is party to a firming and shaping contract should note that there may be instances in which the electricity associated with these contracts results in directly delivered power that must be reported as a specified import, and is therefore ineligible for an RPS adjustment. In many firming and shaping contract arrangements, the electricity importer claims an RPS adjustment associated with electricity purchased from a renewable facility owned by a GPE, and then subsequently sells that electricity into the local balancing authority area. The importer also imports power firmed and shaped by the local balancing authority. In these arrangements, tagged imports associated with the firming and shaping contract may come from a variety of sources and interties with the GPE's local balancing authority area. However, many GPEs will provide firmed and shaped electricity tagged directly from the renewable facility when the facility is operating sufficient to meet those needs. In these situations, the importer must report the imports generated by and tagged from the renewable facility as specified source imports, and the RECs associated with this electricity cannot be reported as an RPS adjustment. Electricity imported from the renewable facility is subject to the lesser of analysis, and only the lesser of the tagged or generated amount would be reported as specified imported electricity. For more information regarding the requirements of the lesser of analysis, see the Electric Power Entity Reporting Requirements Frequently Asked Questions (FAQs) document.

4 RPS Adjustment and Verification Requirements

Verifiers take a risk-based approach to sampling reported data to reach reasonable assurance that there is no material misstatement of emissions data reported and to reach reasonable assurance that the reported information conforms to MRR requirements. Verifiers' assessment of risk and their approach to sampling data is informed by many factors, including the completeness and thoroughness of the EPE's GHG Inventory Program documentation, competency and experience of EPE staff, and the complexity and risk inherent to the types of data in the emissions data report.

Because the RPS adjustment results in a reduction in the entity's compliance obligation, verifiers should consider this a high risk area. This means that verifiers should work to understand the process by which EPE staff determine the total RPS adjustment for a given year and assure that all associated RECs are correctly reconciled, retired, and reported within 45 days of the reporting deadline of June 1.[2] In addition, verifiers should review individual RPS adjustment transactions in more detail, including a review of applicable contracts to procure electricity and RECs and documentation that allows them to conclude that the power was not directly delivered to California. Verifiers should also use the Western Renewable Energy Generation Information System (WREGIS), including WREGIS reports, to confirm that associated REC serial numbers have been appropriately reported and retired. RECs associated with the RPS adjustment must be reported in the REC serial tab, and must match the total associated MWh by source listed in the RPS adjustment tab.

Verifiers must check that the electricity associated with the RPS adjustment was not directly delivered to California. This check should be included in the verifier's samples of RPS adjustment transactions and documented in their sampling plans and data checks. The verifier must be satisfied to the level of reasonable assurance that the electricity was not directly delivered to California. Verifiers should carefully examine the associated e-tags as part of this determination. Verifiers must be aware of the possibility that multiple entities may claim a specified source import and/or an RPS adjustment for RECs generated by a renewable generation facility within the same timeframe. This creates a risk that an RPS adjustment was claimed for electricity that was directly delivered to California, and the verifier's sampling plan must explicitly describe the types of information that were reviewed to ensure the RPS adjustment met the requirements of MRR and the Cap-and-Trade Regulation.

If evidence cannot be provided that all of the eligibility criteria for the RPS adjustment are met, including that the electricity associated with the RECs claimed for an RPS adjustment was not directly delivered and that the RECs were retired within 45 days of the reporting deadline, the verifier must note a nonconformance. To resolve the nonconformance, the unsubstantiated RPS adjustment must be removed from the emissions data report. Failure to do so would result in an adverse verification statement. In addition, in the event that direct delivery of electricity occurred for electricity claimed as an RPS adjustment, CARB may nullify the RPS adjustment claimed.

5 Frequently Asked Questions

This section provides answers to frequently asked questions that CARB has received from EPEs. These answers may be based in part on case-specific factual

[2] The 45-day deadline is calculated by excluding the first day (June 1) and including the last day.

circumstances and are offered here only as guidance that does not supplant the requirements of MRR.

5.1 Where do RECs need to be retired in order to claim an RPS adjustment?

RECs associated with an RPS adjustment must be placed into the retirement subaccount of an entity subject to the California RPS, in the accounting system established by CEC pursuant to Public Utilities Code 399.25, commonly known as WREGIS, an independent, renewable energy tracking system for the region administered by the Western Electricity Coordinating Council (WECC). When an EPE claims an RPS adjustment for electricity and RECs purchased on behalf of another entity that is subject to RPS pursuant to section 95852(b)(4)(A)(2) of the Cap-and-Trade, the two entities must ensure the REC retirement reports are available for the verifier to review. The RECs in the subaccount must be designated as retired for the purpose of compliance with the California RPS program. Note that MRR and the Cap-and-Trade Regulation do not specify the specific WREGIS REC retirement subaccount into which the RECs must be placed.

5.2 What if the RECs have not yet been retired at the reporting deadline, but will be retired within 45 days of the filing date, per section 95111(g) of MRR?

If RECs are not retired at the time the GHG emissions data report is certified and submitted by the June 1 reporting deadline, but the reporter intends to retire them within 45 days of the reporting deadline as required by section 95852(b)(4)(B) of the Cap-and-Trade Regulation, the emissions data report must indicate that the RECs are still "active" in both the RPS adjustment tab and REC Serial tab of Workbook 1. An "active" designation in the RPS adjustment tab will exclude these RECs from being included in the RPS adjustment calculation and the covered emissions calculation. An EPE may report active RECs for an RPS adjustment as a placeholder in the REC Serial tab of the workbook. After the June 1 reporting deadline, if the RECs have been retired, the EPE must request that its verifier unlock the GHG emissions data report to include the updated REC status. When the RECs are designated as "retired," the RPS adjustment and covered emissions will be recalculated in Workbook 1. This process must be completed within 45 days of the June 1 reporting deadline.

5.3 If RECs are retired after the 45-day reconciliation period in 95111(g) of MRR, but before the August 10 verification deadline, will the RPS adjustment still be valid?

There will not be an RPS adjustment for RECs that are not retired within 45-days of the June 1 reporting deadline. However, the importer may be able to retire the RECs and report the RPS adjustment with the next year’s report. This information is auditable by CARB and reporters should retire RECs as early as possible to facilitate timely verification and avoid the need to have the verifier unlock the emissions data report.

5.4 Can RECs that are eligible to be used for the RPS adjustment be held for future use in another compliance year?

The compliance obligation under the Cap-and-Trade Program begins with electricity generated and imported during the 2013 data year. RECs with a vintage before this year are not eligible for the RPS adjustment. The vintage year is the year the electricity was generated. 2013 vintage RECs or later vintages may be used in the RPS adjustment during all later years. For example, when reporting 2017 emissions in 2018, the importer may use RECs of 2013 through 2017 vintages to claim an RPS adjustment. However, the EPE must have ownership in, or a contract to procure the bundled output of the eligible renewable electricity generator, where the power and the RECs are procured at the same time in the vintage year from the eligible source.

5.5 What is the consequence of failure to retire a REC associated with the RPS adjustment?

Failure to retire the RECs associated with the RPS adjustment will invalidate the RPS adjustment. If an RPS adjustment is claimed in the June 1 emissions data report but RECs have not been retired within 45 days of the June 1 reporting deadline, the emissions data report would need to be revised to eliminate the excess RPS adjustment claimed. This is a correctable error. If not corrected, the verifier would be required to issue an adverse verification statement pursuant to section 95131(b)(9) of MRR. REC serial numbers can only be reported once, and cannot be re-reported in future reporting cycles.

As discussed in section 4 of this document, if any RECs are not retired within 45 days of the reporting deadline, they may be used for an RPS adjustment in a subsequent reporting year, provided all eligibility requirements are met and the RECs are ultimately retired.

5.6 Does the language in section 95852(b)(4) of the Cap-and-Trade Regulation pertain to firming and shaping power transactions?

No. The language in section 95852(b)(4) of the Cap-and-Trade Regulation pertains to the eligibility requirements for an EPE to claim the RPS adjustment. The components of firmed and shaped power must be reported separately as specified or unspecified imported power, and, if eligible, as the RPS adjustment in Workbook 1. The reporting of firming and shaping power may result in a compliance obligation. The RPS adjustment will reduce the compliance obligation of an EPE if all of the requirements are met, based on the quantity of MWh procured from the eligible renewable energy resource that was *not* directly delivered to California.

6 Additional Information

The GHG Mandatory Reporting Regulation, with full requirements: https://ww2.arb.ca.gov/mrr-regulation.

For more information regarding Electric Power Entities in the GHG Mandatory Reporting Regulation: https://ww2.arb.ca.gov/mrr-epe.

Contact the MRR helpdesk: ghgreport@arb.ca.gov.

For help with reporting or verification, please contact the appropriate staff member: https://ww2.arb.ca.gov/mrr-contacts.