

Vermont Legislative Council

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MEMORANDUM

To: Senate Committee on Finance

From: Aaron Adler, Legislative Counsel

Date: April 10, 2015

Subject: H.40; Renewable Energy Certificates; Renewable Portfolio Standards

This memo provides background descriptions of two key concepts that are relevant to H.40, an act relating to establishing a renewable energy standard and energy transformation program:

Renewable energy certificate (REC)

A renewable energy certificate (or credit) is a tradable and salable right to claim the environmental attributes associated with one megawatt-hour of renewable energy from a specific generation facility. RECs are transferred and sold separately from the power generated by renewable energy facilities.

Renewable portfolio standard (RPS)

A renewable portfolio standard (RPS) requires retail electric providers to supply a specified minimum amount of customer load with electricity from eligible renewable energy sources. An RPS attempts to create market demand for renewable electric energy supplies. While RPS requirements differ across states, there are generally three ways that electricity suppliers can comply with the RPS: owning a renewable energy facility and its output generation; purchasing renewable energy certificates (RECs); or purchasing electricity from a renewable facility inclusive of all environmental attributes (sometimes called “bundled renewable electricity”).