

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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PUBLIC SERVICE COMMISSION

In the Matter of a Commission Investigation
into a Multi-state Tracking and Trading System
for Renewable Energy Credits

ISSUE DATE: October 9, 2007

DOCKET NO. E-999/CI-04-1616

ORDER APPROVING MIDWEST
RENEWABLE ENERGY TRACKING
SYSTEM (M-RETS) UNDER MINN. STAT.
§ 216B.1691, SUBD. 4 (d) AND REQUIRING
UTILITIES TO PARTICIPATE IN M-RETS

PROCEDURAL HISTORY

In 2001, the Minnesota Legislature enacted Minn. Stat. § 216B.1691, setting renewable energy objectives for Minnesota’s investor-owned electric utilities, generation and transmission cooperatives, and municipal power agencies (hereinafter, “utilities”). The statute required these utilities to make good faith efforts to generate or otherwise secure enough electricity from qualifying renewable energy technologies to represent 10% of total retail electric sales by the year 2015.

In 2003, the Legislature amended the statute, requiring the Commission to supervise utilities’ good faith efforts to reach their renewable energy objectives and authorizing, but not requiring, the Commission to establish a program of tradable credits for electricity generated by qualifying renewable technologies.

In October 2004, the Commission issued an Order opening a docket to examine tradable renewable credit issues, including methods of tracking and trading credits across jurisdictions without double-counting.¹ The Commission directed that this examination build on the work already being done by a stakeholder coalition that was developing a system for tracking and trading renewable energy credits throughout the Midwestern region:

¹ *In the Matter of Detailing Criteria and Standards for Measuring an Electric Utility’s Good Faith Efforts in Meeting the Renewable Energy Objectives Under Minn. Stat. § 216B.1691, E-999/CI-03-869; In the Matter of In the Matter of a Commission Investigation into a Multi-state Tracking and Trading System for Renewable Energy Credits, E-999/CI-04-1616, Second Order Implementing Minn. Stat. § 216B.1691, Opening Docket to Investigate Multi-State Program for Tracking and Trading Renewable Credits, and Requesting Periodic Updates from Stakeholder Groups (October 19, 2004).*

The Commission also concurs with the parties that it is important to make full use of the foundational research, policy analysis, data collection, and ongoing examination of these issues conducted by stakeholder participants in the Midwest Tradable Renewable Credits Workshops. These workshops have attracted and continue to attract a diverse group of stakeholders from the public, private, and public interest sectors, all with significant substantive and policy expertise, and all committed to working together to develop a framework for the interstate trading of renewable credits.²

The Commission asked its staff and the staff of the Department of Commerce to liaise with the stakeholder group and requested quarterly updates on the group's progress.

The group developed a detailed plan for a regional credit tracking and trading system, called the Midwest Renewable Energy Tracking System or M-RETS. In February 2006, the Commission accepted a report and recommendation from the M-RETS Technical Committee, which detailed its plans for the credit tracking system and recommended proceeding with the formation of a multi-state Governance Committee to complete the system's development.³

In February 2007, the Minnesota Legislature amended Minn. Stat. § 216B.1691. Among other things, these amendments: (1) replaced the original, good-faith, renewable energy objectives with new, mandatory, renewable energy standards; (2) significantly increased the percentages of retail electric sales to be generated by qualifying renewable technologies; and (3) required the Commission to exercise its previously optional authority to establish a program for tradable renewable energy credits.⁴

The new statute required the Commission to use a two-step process to establish a renewable credit trading program. First, it was to require all utilities to participate in a Commission-approved credit tracking system or systems, and then it was to issue an Order establishing protocols for trading credits.⁵ On September 27, 2007, after notice to all Minnesota utilities and interested stakeholders, the Commission met to consider how to implement step one of this process.

The following persons appeared at the meeting: the Minnesota Department of Commerce, Northern States Power Company d/b/a Xcel Energy, Minnesota Power, Southern Minnesota Municipal Power Agency, and M-RETS.

² *Id.* at 8.

³ Order Accepting Report and Recommendations and Requesting Quarterly Updates (February 21, 2006), this docket.

⁴ Laws 2007, c. 3, § 1.

⁵ Minn. Stat. § 216B.1691, subd. 4 (d).

FINDINGS AND CONCLUSIONS

I. Summary of Commission Action

Under the terms of the statute, the Commission must require all utilities to participate in a Commission-approved credit tracking system or systems, and, once a tracking system is operating, must issue an Order establishing protocols for trading credits.⁶ The Commission will approve M-RETS under Minn. Stat. § 216B.1691 and will require all utilities subject to the statute to participate in its tracking program, as set forth below. The Commission will establish protocols for trading credits once M-RETS is operational.

II. M-RETS APPROVED

M-RETS is the result of over three years of research, analysis, dialogue, and collaboration by a group of stakeholder-experts representing the public, private, and public interest sectors. These experts, who come from diverse professional backgrounds and all parts of the Midwest, have developed M-RETS's policies, practices, and protocols. They have concluded that the system is ready to go operational and that any remaining issues can best be resolved in the context of real-world operations.

Minnesota's utilities essentially agree. No one opposed approving M-RETS under Minn. Stat. § 216B.1691 or opposed requiring utilities to participate in the M-RETS tracking system. Minnesota Power did point out the need to permit utilities to suspend participation should intractable governance or functionality issues arise. The Commission concurs, eliminating that concern as a potential barrier to approval or to mandatory utility participation.

The Commission will therefore approve M-RETS under Minn. Stat. § 216B.1691 (4) (d).

III. Utility Participation in M-RETS Required

The statute directs the Commission to require all Minnesota utilities to participate in any renewable credit tracking system it approves.⁷ The Commission will therefore require all utilities subject to Minn. Stat. § 216B.1691 to participate in M-RETS by completing the tracking system's five-step registration process, outlined below:

- (1) Utility completes online registration.
- (2) Utility reviews the M-RETS Operating Procedures and submits account approval documents to the system administrator, APX, Inc. (APX), including a signed Terms of Use document and, if necessary, a MISO (Midwest Independent System Operator) release form.
- (3) APX validates registration material, accepts registration, and approves account, a process normally taking about five days.

⁶ Minn. Stat. § 216B.1691, subd. 4 (d).

⁷ Minn. Stat. §216B.1692, subd. 4 (d).

- (4) Utility creates an account for its organization, with subaccounts if desired.
- (5) Utility registers its generation units/facilities and designates a Qualifying Reporting Entity for each unit/facility. Utility provides APX with appropriate documentation of facility characteristics.

Since the Commission must establish protocols for trading credits by January 1, it is critical that registration begin immediately and that any glitches be promptly identified, addressed, and resolved. The Commission will therefore require utilities to complete steps one through three by January 1, 2008 and to make substantial, good-faith efforts to complete steps four and five by March 1, 2008.

As Minnesota Power pointed out, it would be counterproductive to require utilities to proceed under the time frames set forth above if they encounter intractable governance or functionality issues. The Commission will therefore permit utilities to file requests for extensions, if they determine that governance or functionality issues have not been satisfactorily resolved and that they are therefore unable to meet the deadlines set forth above. Such requests should of course be filed prior to those deadlines.

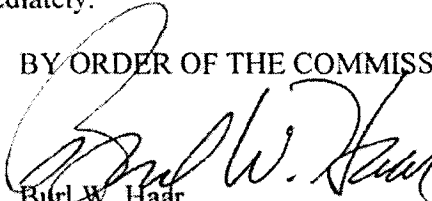
The Commission will so order.

ORDER

1. The Commission hereby approves the Midwest Renewable Energy Tracking System (M-RETS) under Minn. Stat. § 216B.1691, subd. 4 (d).
2. All Minnesota utilities subject to Minn. Stat. § 216B.1691 shall participate in M-RETS, beginning with the steps set forth below:
 - (1) Utility completes M-RETS online registration.
 - (2) Utility reviews the M-RETS Operating Procedures and submits account approval documents to the system administrator, APX, Inc. (APX), including a signed Terms of Use document and, if necessary, a MISO (Midwest Independent System Operator) release form.
 - (3) APX validates registration material, accepts registration, and approves account, a process normally taking about five days.
 - (4) Utility creates an account for its organization, with subaccounts if desired.
 - (5) Utility registers its generation units/facilities and designates a Qualifying Reporting Entity for each unit/facility. Utility provides APX with appropriate documentation of facility characteristics.
3. All Minnesota utilities subject to Minn. Stat. § 216B.1691 shall complete steps (1) through (3) by January 1, 2008 unless:

- (a) they have determined that governance or functionality issues have not been satisfactorily resolved and that they are therefore unable to complete steps (1) through (3); and
 - (b) they have made a filing before January 1 requesting an extension of time and explaining their reasons for being unable to proceed.
4. All Minnesota utilities subject to Minn. Stat. § 216B.1691 shall make substantial and good faith efforts to complete steps (3) and (4) by March 1, 2008 unless:
- (a) they have determined that governance or functionality issues have not been satisfactorily resolved and that they are therefore unable to complete steps (3) through (4); and
 - (b) they have made a filing before March 1 requesting an extension of time and explaining their reasons for being unable to proceed.
5. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION



Burl W. Haahr
Executive Secretary

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