



Renewable Energy Certificates Market Regulation and Puerto Rico Renewable Energy Portfolio Compliance

NEPR-MI-2021-0011

August, 30, 2021

Introduction

In response to the Puerto Rico Energy Bureau's request for informal comments to the proposed regulation outlining the requirements for documentation, registration, verification, and retirement of Renewable Energy Credits (RECs), LUMA submits the following broad principles on the objectives and design of RECs.

LUMA supports the **objectives** broadly stated below:

1. Enable effective compliance with the laws of Puerto Rico.
2. Use of RECs as a tool to transparently account for Puerto Rico's progress towards its RPS targets.
3. Minimize costs that do not provide value to ratepayers. For example, consider whether RECs are a necessary incentive for additional renewable energy projects.
4. Reduce the risks of unintended market consequences, potential windfall profits (or rents), and inequitable distribution of costs among customers.
5. Standardize the elements of the REC program such as pricing, fungibility, and transparency.
6. Support the Energy Bureau in facilitating constructive input from stakeholders including renewable energy developers, and consumer advocates.
7. Where feasible, facilitate consensus positions from key stakeholders on regulation of RECs.
8. Provide the Energy Bureau with timely and accurate reporting per the regulation.

LUMA recommends that during the **process design**, the Energy Bureau consider means of:

- a. Allowing REC prices to adjust and reflect market trends (to avoid creating rents).
- b. Reducing customer exposure to market price shocks.
- c. Ensuring that program costs and penalties are recoverable in rates.
- d. Developing creative ways for RECs to enable additional initiatives consistent with Puerto Rico public energy policy such as energy efficiency and resiliency.
- e. Developing mechanisms for efficiently accounting for all generation produced under net metering programs.

- f. Considering equal weighting for alternative renewable generation resources and refurbished hydroelectric generation.

Conclusion

LUMA welcomes the Energy Bureau's issuance of this preliminary draft regulation as an opportunity to provide valuable feedback. LUMA believes that adherence to the objectives and design principles summarized in this document will support use of RECs in Puerto Rico consistent with Puerto Rico energy public policy. LUMA looks forward to continuing constructive discussion on the subject.