Renewable Energy Credits Brief Sheet

The Essentials
- A Renewable Energy Credit ("REC") is an accounting mechanism to determine energy generated from a renewable energy source.
- One REC equivalent to each MWh of electricity that is generated from a renewable energy source
- RECs may be generated, traded, or carried over from the previous year as tracked on the Annual Compliance Report. This report ensures that the utility is meeting its Renewable Energy Standard and Tariff renewable energy generation mandates.
- RECs can be traded or purchased in a market-based system.

Policy Details:
A Renewable Energy Credit, commonly called a "REC," represents the property rights to the non-power qualities of renewable electricity generation. One REC is created simultaneously with 1 megawatt (or 1000 kilowatts) of renewable energy production. A REC is not a unit of power, but rather it is a measurement of renewable energy production. The REC is used to determine if utilities meet their renewable energy generation mandates required by the Arizona’s Renewable Energy Standard and Tariff ("REST"). Annual obtained RECs are reported on a utility's Compliance Report that is reviewed by the Arizona Corporation Commission. A REC can even be sold or traded in a market-based structure to help utility’s meet their annual REC mandates. RECs may be purchased by the utilities so they may meet their REST mandates. RECs may also be purchased voluntarily to support renewable energy causes, many U.S. corporations purchase RECs for this purpose. Utilities purchase RECs from independent renewable energy sources or on

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1 RECs are sometimes called: green certificates, green tags, or tradable renewable certificates. All these terms may generally be used interchangeably to describe a REC
2 The REST is a rule that was enacted in 2007 with the goal of expanding Arizona’s renewable energy portfolio to 15 percent of all sold retail commercial power in 2015. A portion of the required percentage must be obtained from distributed energy sources, which are renewable energy projects situated on residential or non-residential property and not owned by the utility. See AAC R14-2-1801 et seq.
3 See A.C.C. R14-2-1803 and R14-2-1812
4 Source: http://www.epa.gov/greenpower/gpmarket/rec.htm
5 A.C.C. R14-2-1803(C) and (D) permit the transfer of RECs to an Affected Utility from the owner of an Eligible Renewable Energy Resource. All transfers must be appropriately documented to show compliance with A.C.C. R14-2-1802.
renewable energy credit trading markets. Independent markets and auctions services for RECs also exist throughout the United States, but the Environmental Protection Agency ("EPA") recommends buying RECs that have been certified by an independent REC Tracking service. In Arizona, the EPA recommends using the Western Renewable Energy Generation Information System ("WREGIS"). WREGIS tracks renewable energy generation from units registered in its system. WREGIS creates tradable RECs from the generation.

When energy is created from a renewable energy source, the REST rules measure two different types of energy "created." One is the physical electricity created, while the other is the REC that is earned. The REC represents one MW hour of renewable-generated energy. The RECs are important, because they are the accounting mechanism used by the REST Rules to ensure that the utilities are meeting their renewable energy mandates. Within the Compliance Reports the utilities also report their distributed energy ("DE") achievements for the previous year, which are also measured with RECs.

The REST rules permit utilities to transfer some RECs from previous years onto their annual Compliance Report accounting. Utilities may also earn Manufacturing Partial Credits, which allows an affected utility to earn RECs for its non-DE requirements if it significantly invests in any solar electric manufacturing plant located in Arizona, or if the utility somehow provides incentives to entice a solar electric manufacturing plant to locate a facility in Arizona.

As stated, the trading and purchasing of RECs has created trading markets across the United States. Utilities in different states will trade and purchase RECs to ensure that Renewable Energy Standards are met.

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6 Tucson Electrical Power ("TEP") and Arizona Public Service ("APS") have their own REC purchasing program designed to encourage homeowners and business to install renewable energy sources on site, learn more here: TEP: http://www.dsireusa.org/incentives/incentive.cfm?Incentive_Code=AZ15F APS: http://www.dsireusa.org/incentives/incentive.cfm?Incentive_Code=AZ04F&re=0& ee=0
7 Visit WREGIS's website here: http://www.wregis.org/
8 These are called "Extra Credit Multipliers" and are governed by A.A.C. R14-2-1806
9 See A.A.C. R14-2-1807
**Read more**
See the U.S. Environmental Protection Agency's explanation of REC's:
http://www.epa.gov/greenpower/gpmarket/rec.htm

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10Source: http://www.epa.gov/greenpower/gpmarket/rec_chart.htm
E-Mail: RWilliamson@azcc.gov  
Web Site: http://www.cc.state.az.us/  

**Latest developments**  
In the 2012 Arizona Legislative Session, Senate Bill 1229 (“SB 1229”) was passed. SB 1229 exempts the sale or use of RECs from the transactional privilege tax for both retail sales and utility sales. The Transactional privilege tax is like a sales tax. SB 1229 also exempts the sale or transfer of RECs from Arizona’s use tax, which is a tax on the use, storage, or consumption of tangible personal property. Solar electricity generated by customers and sold back to utilities is also exempt from transaction privilege taxes under SB 1229.  

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11 Learn more about SB 1229 here:  
and read SB 1229 here:  