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MEMORANDUM

To: House Committee on Energy and Environment

From: Alan Zelenka, Assistant Director, Planning and Innovation Division
Rebecca Smith, Senior Policy Analyst

Date: March 7, 2019

Re: SB 38 – Thermal Renewable Energy Certificates

INTRODUCTION

Thank you for the opportunity to testify today on SB 38, a bill the Oregon Department of Energy has introduced to provide clarity on the use of thermal renewable energy certificates for compliance with the Oregon renewable portfolio standard, or RPS. This bill provides a simple fix that better allows generators to undergo what is a complex certification process with assurance that their resultant thermal renewable energy certificates will be RPS-eligible. This bill is the direct result of work ODOE completed during rulemakings and from subsequent feedback of concerned stakeholders.

BACKGROUND

The Oregon RPS was enacted in 2007, and it was almost entirely based on sources that generated electricity, such as wind, solar, geothermal, biomass, and certain types of hydropower. The RPS statute, ORS 469A.005 through 469A.210, consistently uses terms such as “qualifying electricity” or “electricity from a generating facility” when discussing the eligibility of facilities.

In 2016, SB 1547 added a non-electric source of energy that is eligible for the Oregon RPS – cogeneration that enables the creation of electricity and thermal energy at the same time. The bill allowed for the thermal energy generated when creating electricity from a biomass cogeneration project to be eligible for renewable energy credits (RECs).

ODOE conducted a rulemaking in 2016 to integrate thermal energy into the existing renewable energy certificate system used for compliance with the Oregon RPS. Participation in the process was high, including representatives from investor-owned utilities, consumer-owned utilities, advocacy organizations, trade organizations, forestry industry representatives, and representatives from plants that may qualify to generate T-RECs, such as wastewater treatment plants, and pulp and paper operations. While the final rules provided a great deal of necessary detail on how to attain certification

to generate thermal RECs, there were some details that could not be addressed in the administrative rules.

Current Oregon statute, related to RPS compliance eligibility and requirements, refer explicitly only to electricity, with no mention of thermal energy. Thermal energy is not electricity and does not meet the definition of “qualifying electricity.” Therefore, ODOE believes the many references to electricity throughout the RPS statute could be interpreted as exclusionary of thermal energy or thermal RECs.

As well, SB 1547 did not explicitly add thermal energy generated from electricity generation using biomass to the list of RPS-eligible generation sources listed in ORS 469A.025. ODOE believes this creates uncertainty as to the equivalency of RECs associated with electricity generation and thermal RECs.

What SB 38 DOES

SB 38 clarifies two issues related to thermal renewable energy certificates. It clarifies that:

1. Thermal RECs are eligible compliance instruments for the Oregon RPS, if the RPS requirements for facility commercial operation date, geographic location of facility, and biomass feedstock are all met; and
2. Thermal RECs are subject to the same requirements for issuance, transfer, and use as all other RECs.

SB 38 makes limited changes to ORS 469A.132, by only addressing the issues around eligibility and use of thermal renewable energy certificates for RPS compliance.

To date, ODOE has received four applications from facility representatives seeking certification as eligible to generate thermal RECs for the Oregon RPS, and we certified as eligible our first thermal facility last year – the Gresham Wastewater Treatment Plant.

SUMMARY

SB 38 adds clarifying language to ORS 469A.132 to ensure that these and future eligible projects will create thermal renewable energy certificates that are eligible compliance instruments for the Oregon RPS; and that they will be subject to the same requirements for issuance, transfer, and the uses currently allowed RECs from qualifying electricity generation. ODOE requests your support for SB 38.