



## How M-RETS Can Support State Compliance with the Clean Power Plan



M-RETS is a dynamic tracking and verification software platform that serves stakeholders in the power sector. Currently, the services provided by M-RETS facilitate the renewable energy credit (REC) marketplace both for voluntary purposes and for compliance with state renewable portfolio standards (RPS's). Just as state RPS's are variable, preferences for satisfying Clean Power Plan (CPP) emissions goals will vary among the states. Whatever pathways states choose to achieve their CPP goals, M-RETS will work with stakeholders to provide the information needed to demonstrate compliance to the EPA.

*Being a policy-neutral non-profit, M-RETS is agnostic regarding the policy pathways adopted by the states it serves, and does not advocate for any particular CPP compliance approach.*

This fact sheet provides an overview of CPP compliance options, the types of performance tracking these options entail, and initial thoughts on how M-RETS can be structured to meet the requirements of these options.

### Options for CPP compliance

Under the CPP, states have two fundamental choices for compliance:

- A mass-based approach in which affected electric generating units (EGUs) must meet a total emissions (mass) goal. CO<sub>2</sub> limits are determined by generator, and allowances representing one ton of carbon are issued and can be traded and used for CPP compliance. States can choose to also implement complementary strategies, such as renewable portfolio standards or energy efficiency resource standards, to meet the mass-based emission requirement.
- A rate-based approach in which affected EGUs must meet a lbs/MWh emissions rate. The EPA has defined a new tradable instrument, the Emissions Rate Credit (ERC), which represents 1 MWh of zero-emitting generation. Many types of generation and energy saving programs are eligible to earn ERCs, which can in turn be used by EGUs to improve their emissions rates.

Each approach may be adopted with variations, and EPA has presented a model rule for each approach that is designed to be “trading-ready” to facilitate interstate trading of credits and/or allowances.

### How can M-RETS help states track compliance?

M-RETS can provide the capabilities necessary to support any of the pathways states may choose. The goal for M-RETS is to provide a one-stop shop for states' CPP tracking needs:



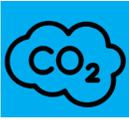
RECs tracking: M-RETS already issues renewable energy certificates (RECs) based on measured and verified generation, and tracks RECs as they are traded both within and outside the region.



ERCs tracking: M-RETS could readily expand to issue and track ERCs on the behalf of all manner of eligible projects and programs. M-RETS could also provide information about the links between specific RECs and ERCs, which may be important for the voluntary RE market.



EGU Generation & Emissions: M-RETS can be adapted to track measured electricity generation and emissions from affected EGUs, as in in PJM-GATS and NEPOOL GIS.



EGU Emission Allowances: M-RETS can also serve as a registry for state-issued emissions allowances if states choose to adopt a cap-and-trade system.



EECs tracking: If energy efficiency is part of a compliance plan or is desired by states for other purposes, M-RETS could issue both ERCs for the CPP and energy efficiency certificates (EECs) for state-level programs, as is currently done within some states in the NEPOOL-GIS.



In the future, new needs for tracking systems may arise. M-RETS can track the ownership and ultimate use of any of tradable instruments, whether for CPP compliance or for other policy or market-based purposes.

### What are some examples of state policy pathways, and how can M-RETS provide support to enable each approach?

The following table shows which M-RETS tracking services would likely be utilized under either mass-based or rate-based pathways. The first two columns indicate the basic nature of each pathway—what type of entity is held accountable and how its performance is tracked. The third column summarizes how M-RETS could support the approach.

In all options, both rate- and mass-based, EGUs already report their emissions to an EPA database of SO<sub>2</sub>, NO<sub>x</sub> and CO<sub>2</sub> emissions. These EGUs could report their emissions to both EPA and M-RETS; or M-RETS could obtain the emissions data from the EPA database, as is currently done in PJM-GATS. M-RETS' function would complement the EPA's role by providing a platform for issuing and tracking allowances or ERCs and for emissions or emission rates to be tallied at the state level.

Compliance Approaches		
State Policy Choice	Accountable Entities, Accountability Metric	How M-RETS Could Support
<p>MASS-BASED: Utility- or Plant-level emissions budget, possibly with trading</p>	<ul style="list-style-type: none"> <li>Utilities or affected EGUs</li> <li>CO<sub>2</sub> emissions (tons)</li> </ul>	<div style="display: flex; flex-wrap: wrap; justify-content: space-around;"> <div style="margin: 5px;"></div> <div style="margin: 5px;"></div> <div style="margin: 5px;"></div> <div style="margin: 5px;"></div> </div> <ul style="list-style-type: none"> <li>Tracking CO<sub>2</sub> emissions and allowances, including trading activity</li> <li>Issuing ERCs in the limited set of situations where ERCs can be generated in mass-based states for use in rate-based</li> <li>Issuing RECs and EECs as long as separate functions continue to exist for these instruments</li> </ul>
<p>RATE-BASED: Utility- or Plant-level emissions rates, possibly with trading</p>	<ul style="list-style-type: none"> <li>Utilities or affected EGUs</li> <li>CO<sub>2</sub> emissions rate (lbs/MWh)</li> </ul>	<div style="display: flex; flex-wrap: wrap; justify-content: space-around;"> <div style="margin: 5px;"></div> </div> <ul style="list-style-type: none"> <li>Tracking all EGU generation (or affected EGUs only) and emissions to establish emission rates</li> <li>Issuing and tracking ERCs</li> <li>Issuing RECs and EECs as long as separate functions continue to exist for these instruments</li> </ul>



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