

Guidance on Renewable Energy Credits (RECs)

Adapted from VPIRG (VT Public Interest Research Group) information:
<https://www.vpirg.org/issues/clean-energy/wind-power/faq/>

What are Renewable Energy Credits (RECs) and how do they relate to the State of Vermont's renewable energy goals?

Renewable Energy Credits (RECs) are certificates that track how much renewable energy is produced from a project. State policies called Renewable Portfolio Standards (RPS) determine how much renewable energy a utility needs to provide its customers. In order to prove it has met the goals of the standard, the utility needs to own and “retire” an equivalent number of RECs. In 2015, Vermont passed legislation to establish an RPS for the first time, requiring utilities in Vermont to supply renewable energy to their customers. This standard took effect in 2017.

When a renewable energy project is built, the developer typically has a long-term contract for the power that project generates. The Renewable Energy Credits (RECs) can be sold together with the electricity, or separately. Whoever buys the RECs from a project can claim the renewable attribute of the power. If a utility buys power from a project but doesn't buy the RECs, they cannot claim the power they purchased is renewable and attribute it to meeting their goal.

Until 2015, there was no statewide policy requiring Vermont utilities to supply their customers with renewable energy, which meant Vermont utilities were generally not buying credits from Vermont renewable energy projects. Instead, those credits would be sold to utilities in other states, such as Massachusetts and Connecticut, which had Renewable Portfolio Standards.

In 2015, Vermont joined its neighbors and passed an RPS (Act 56). This law mandates that by 2017, 55% of a utility's electric sales be from renewable power. By 2032 the mandate is 75%. RECs from most renewable power sources, new or existing, large or small, can be used to meet this requirement, and there are enough existing projects that utilities are not expected to build new renewable energy in order to meet it. Separately, starting in 2017, 1% of a Vermont utility's power must be from distributed renewable generation, increasing to 10% by 2032. This segment of power must be from installations that generate under 5 megawatts (MW) of electricity, and were built in Vermont after June 30, 2015. This standard will support the development of over 400 MW of new renewable electricity in the state.

For net-metering sized projects (500 kW and smaller), the Public Utility Commission addressed concerns about RECs being sold out of state in their revision to the net metering rule in 2017. Until now, renewable energy projects were permitted to keep the credits (and potentially sell them out-of-state) and still receive the retail rate for power the system produced. Under the new rule, projects where the net metering customer keeps their RECs (either to sell out of state or to keep for themselves) will be subject to a penalty, whereas projects that transfer their RECs to the utility will receive an additional incentive.