



REC Tracking and Inventory Control:
Keeping up with National and Global Markets

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Overview

1. Introduction
2. Product Delivery
3. External System Challenges
4. Internal System Challenges
5. Next steps



Introduction

➤ Who is Community

Ene



➤ Evolution and growth of REC markets

➤ Increased purchase options

- Price, location, technology, carbon benefit, etc.

➤ Sophisticated customers



Jersey-Atlantic Wind Farm



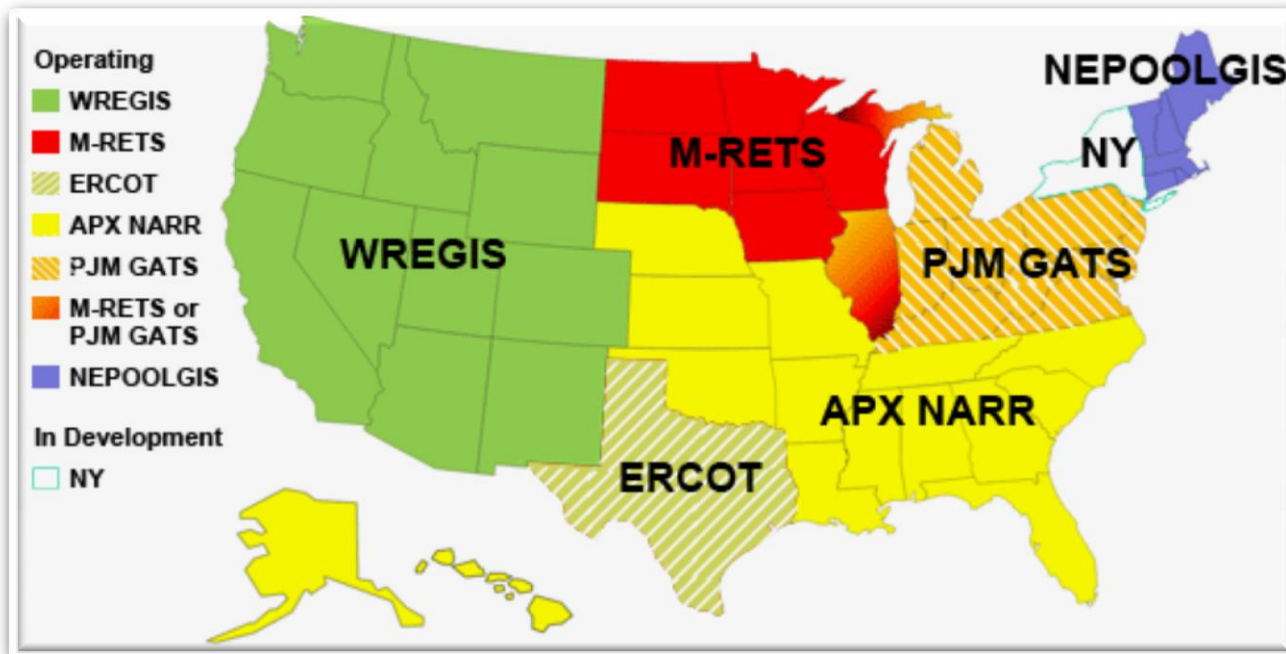
Product Delivery

- Two types of conventional delivery:
 - Paper attestation & electronic tracking system
- Community Energy is a user of these systems
- Tracking system is preferred method. Why?
 - Unique serial number
 - Prevents double counting
 - Automated, lower transaction costs
 - Direct retirement method
 - Transparent & verifiable



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National REC Tracking



- Six closed systems
- Minimal communication
- Efforts to harmonize systems

Source: EPA Green Power Partnership

External Delivery Challenges

➤ NEPOOL GIS Example

- Delayed quarterly trading periods
- No annual banking
- Quarterly banking allowed

➤ Restrictive for voluntary market delivery

- Cannot deliver outside of trading periods
- Seller often not paid until delivery
- Minimizes buying flexibility and portfolio optimization
- Forces early retirement of voluntary Green-e eligible RECs



Internal Delivery Challenges

➤ Accounting

- Revenue Recognition (SEC Topic 13)
 1. Persuasive evidence of an arrangement exists
 2. **Delivery has occurred or services have been rendered**
 3. The seller's price to the buyer is fixed or determinable
 4. Collectability is reasonably assured
- Supply standards are more flexible than accounting standards
- Constant portfolio optimization makes revenue recognition rules and financial audit requirements challenging to meet



Internal Delivery Challenges Con't

➤ Green-e Verification

Conducted months after annual financial close. Any late customer requests or verification revisions must be revised in closed financial books.

➤ Customer delivery requirements

Trend in more frequent delivery and payment. Limits vintage window in which RECs can be sourced.



Next Steps

Better consistency and standards as we move to more national and potentially global systems

- ☑ Harmony among external systems
- ☑ Standardized tools for synchronization of external and internal systems
- ☑ Internal systems to reconcile supply portfolio and accounting systems
- ☑ Increased awareness and standards among finance and audit community about environmental markets and trading





Thank You

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