

June 5th, 2025

To: Chair Commissioner Katie Sieben
The Minnesota Public Utilities Commission
121 7th Place East
Suite 350
Saint Paul, Minnesota, 55101

From: Carbon Solutions Group, LLC

Subject: CSG comments on net market purchases pursuant to Docket no. E-999/CI-24-352

In the Matter of a Commission Investigation into a Fuel Life-Cycle Analysis Framework for Utility Compliance with Minnesota's Carbon-Free Standard (Docket no. E-999/CI-24-352)

COMMENTS BY CARBON SOLUTIONS GROUP

Pursuant to the “Notice of Comment Period” document issued by the Minnesota Public Utilities Commission (“PUC”) on January 22nd, 2025, Carbon Solutions Group (“CSG”) respectfully offers the following comments and recommendations related to the proceeding *In the Matter of a Commission Investigation into a Fuel Life-Cycle Analysis Framework for Utility Compliance with Minnesota's Carbon-Free Standard* (Docket No. E-999/CI-24-352).

By way of background, CSG develops digital infrastructure to support governmental energy programs; aggregates distributed energy resources; and provides technical expertise to legislators and regulators. CSG believes that properly structuring energy and environmental markets will lead to tangible advancements for U.S. infrastructure, economy, and climate. Specifically, CSG believes that clean energy markets can only function as intended when credible greenhouse gas emissions (“GHG”) accounting methodologies are upheld.

CSG previously commented on the Carbon-Free Standard (“CFS”) within Docket No. E-999/CI-23-151. In this present proceeding, CSG wishes to reiterate its support of the CFS and stresses the importance of establishing a credible accounting framework for the program.

CSG submitted two rounds of comments in Docket No. E-999/CI-23-151. These comments detailed the need for a serialized energy accounting instrument (i.e. RECs) for the purposes of substantiating carbon-free claims, especially as such claims relate to net market purchases. However, this proceeding’s “Notice of Comment Period” (CI-24-352) has also prompted feedback regarding the “definition and calculation of net market purchases.”

Out of respect for the Commission’s time and resources, CSG seeks to avoid redundancy in its present comments on net market purchases. To that end, CSG notes that it continues to stand behind its previously filed comments regarding the definition, and especially the calculation, of net market purchases. These comments include CSG’s January 29th, 2025, comments (Document ID: 20251-214606-01) and March 19th, 2025, comments (Document ID: 20253-216369-01).

To briefly summarize those comments: CSG strongly contends that CFS compliance should be substantiated by eligible REC/EAC retirements matched with *all* obligated electricity (i.e. “total retail electric sales”), including net market purchases. This is the most credible accounting methodology, as it minimizes double counting and double claiming risks, as well as upholds Minnesota statute across several crucial subdivisions.

A REC-based accounting methodology is essential because credible emissions claims are not effectuated by gross generation or net procurement, but rather through REC *retirements* on a public tracking system such as M-RETS. Only REC retirements can ensure the exclusivity of carbon-free claims.

REC-based CFS accounting is particularly critical when it comes to accurately accounting for net market purchases. This emphasis is due to the increased double claiming risks inherent in unspecified market purchases. The double claiming risk herein lies in the fact that neither RECs—nor any specified emissions accounting instruments—accompany an unspecified wholesale market purchase. However, the unspecified nature of a market purchase does not mean that RECs were not initially produced to account for the electricity traded in that unspecified transaction. Therefore, it is possible that unbundled RECs can be sold to one buyer and the underlying electricity sold to another in a market purchase. If both transactions lead to separate claims associated with those purchases, then more carbon-free electricity is reported than actually exists. This type of duplicative energy accounting can misinform regulators, policymakers, and ratepayers.

Thus, in order to avoid potential market distortions, liabilities, and infringements on Minnesota statute, CSG contends that obligated utilities should retire RECs (or equivalent EACs) for the entirety of the utility’s obligated load and across all carbon-free transaction methods. In such an approach, every MWh claim of compliance is accounted for through unique, serialized REC (or equivalent EAC) retirements. Furthermore, CFS compliance claims should be premised on the retirement of eligible RECs (or EACs) solely on M-RETS for similar derisking purposes.

CSG once again thanks the Commission for its leadership on this important issue and looks forward to engaging further as this proceeding evolves.

Respectfully submitted,

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