# Community Choice Aggregation and Class I RECs

One of the goals of community choice aggregation programs such as Newton Power Choice is to support clean energy. To date, the primary strategy for doing so has been to purchase voluntary[1] Massachusetts Class I Renewable Energy Certificates (RECs).[2]

In light of very significant policy changes at the federal level, it is timely to consider whether the purchase of Class I RECs remains the most effective way for aggregation programs to support clean energy.

**Why purchase voluntary RECs**

The primary reason to purchase voluntary Class I RECs is to support the development of new renewable energy projects. The REC purchases support new projects indirectly. The RECs purchased by aggregation programs come from existing projects, not new projects. However, purchasing RECs from existing projects can create a market demand for RECs that will lead to the development of new projects over time.

**Voluntary REC purchases and the Renewable Portfolio Standard**

Voluntary REC purchases work hand-in-hand with the state Renewable Portfolio Standard (RPS). The RPS establishes a minimum percentage of RECs that must be included in all electricity supply as a matter of State law. That minimum percentage increases every year, also by State law.

Like voluntary REC purchases, the RPS is designed to promote the development of new renewable energy projects over time. Also like voluntary purchases, the RPS does so indirectly. The RPS does not require the development of new renewable projects. Instead, it requires electricity suppliers to purchase an increasing percentage of RECs, creating a demand for new projects.

Voluntary REC purchases increase the demand for RECs beyond what that demand would be with the RPS alone. Take Newton Power Choice as an example. The RPS currently requires that 27% of all electricity supplied to customers is matched with Class I RECs. In its current (i.e., expiring) contract, Newton Power Choice adds voluntary Class I RECs to

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[1] "Voluntary" REC purchases are purchases over and above the requirements of the state Renewable Portfolio Standard (RPS). Purchases to meet the RPS requirements are known as "compliance" purchases.

[2] A REC represents the environmental attributes associated with electricity generation. RECs are part of an accounting system that enables generators to sell, and customers to buy, renewable electricity. Class 1 RECs, also known as "premium" RECs, come from generators that are fueled by renewable sources such as the sun and wind, began operating after 1997, and are located in, or deliver power to, New England.

match 68% of customers' electricity use. As a result, Newton Power Choice customers create a demand for RECs equal to 95% of their electricity use.

**Changes in federal support for renewable energy**

Since January, the federal government has dramatically changed the development environment for renewable energy: sunsetting tax credits, cancelling funding programs, blocking permit approvals, and seeking to stop work on existing projects. The effect has been to make it more difficult and more expensive to build new projects, substantially slowing down the expected addition of new renewable energy projects. Offshore wind—especially a target of federal action—had been expected to be an especially large new source of RECs for New England. Those projects have been significantly delayed, at best.

**A shortage of RECs**

With the RPS requirement increasing every year and the federal government slowing the development of new renewable energy projects, it is likely that the supply of RECs will become inadequate to meet the RPS demand. And it is expected that this shortage will last for some time. Indeed, some analysts project that it will be a decade before renewable energy supply catches up to the RPS demand.

Significantly, this shortage would exist even without any voluntary renewable energy purchases. Voluntary purchases will increase the size of the shortage.

**Alternative Compliance Payments**

The shortage of RECs will lead to additional Alternative Compliance Payments (ACP).

The ACP is an alternative method of complying with the RPS requirements, created by State law. Electricity suppliers can meet their RPS obligations by either purchasing the statutorily required amount of RECs or by making an equivalent ACP payment. The ACP payment level is set by the Department of Energy Resources (DOER).

When the supply of RECs is inadequate to meet the RPS demand, electricity suppliers will make ACP payments to make up the difference.

**The effect of voluntary REC purchases during a REC shortage**

As discussed above, when REC supply and demand are roughly in balance, voluntary REC purchases will help to prompt the development of new generation. However, during a prolonged REC shortage, voluntary REC purchases are more likely to lead to increased ACP payments. The voluntary purchasers will still receive RECs; there is no ACP alternative for voluntary purchases. However, the voluntary purchases will reduce the number of RECs available for RPS compliance, resulting in increased ACP payments for compliance purposes.

**How ACP funds are used**

Since voluntary REC purchases by Newton Power Choice will go (indirectly) to ACP payments, it may be helpful to consider how ACP funds are used.

ACP payments go to the Massachusetts Clean Energy Center (MassCEC). According to DOER's regulations, MassCEC is to use the funds to further the development of renewable generation or "promote projects or activities that reduce greenhouse gas emissions or ratepayer costs through electric load reduction, peak demand reduction, or strategic electrification."[3]

ACP funds have also been used to provide a rate discount to customers. In April of 2025, the State used $125 million in ACP funds to provide a $50 electric bill credit to all electricity customers in Massachusetts.[4]

**Other clean energy strategies for aggregation programs**

In light of current federal policies and the reduction in the effectiveness of purchasing voluntary RECs, aggregation programs may want to consider other strategies for supporting clean energy.

For example, aggregation programs can charge a fee that will be included in the price of electricity and use the funds to support clean energy initiatives. Municipalities have used these funds for such purposes, including a solar energy rebate program for residents, developing a renewable energy project in the municipality, and contracting directly with a new renewable energy generator. Aggregation programs could also consider other uses for the funds, perhaps targeted directly to address the reduction in federal support.

Also, under a State solar energy program, aggregation programs can offer low-income residents in their community who participate in the aggregation program a discount off their electricity bill. This initiative works by using funds provided by the State to existing solar energy projects, which in turn provide a portion of the State funds to the municipality for the benefit of the municipality's low-income customers. There is no cost to other aggregation program participants.

[3] 225 CMR 14.08(3)(d)

[4] https://www.mass.gov/news/healey-driscoll-administration-announces-energy-affordability-agenda-to-deliver-220-million-in-immediate-relief-save-58-billion-over-5-years