## Memo

**To:** VT PUC

**Fr:** CHS Technical Advisory Group (TAG)

**Re:** Draft CHS rule and companion memo

**Dt:** Oct. 31, 2024

The TAG discussed the PUC’s draft CHS rule and companion memo at the Oct. 24 and Oct. 31, 2024 meetings. We would like to share the following comments for the PUC’s consideration.

1. The companion memo language on page 8 states:

“*Our work over the past year and a half on the Clean Heat Standard demonstrates that it does not make sense for Vermont, as a lone small state, to develop a clean heat credit market and the associated clean heat credit trading system to register, sell, transfer, and trade credits.”*

The use of the language “our work” could imply that the TAG addressed this question as part of our role in advising the PUC and came to the same conclusion. In fact, the TAG has not discussed and has not agreed to this characterization of the CHS. We request that this passage make it clear that this is solely the opinion of the PUC and has not been considered by the TAG.

1. Review of the draft rule uncovered some important missing elements:

* **Clear and complete definitions of clean heat measures.** If these are not defined in the rule itself, the rule should point to the TRM as the definitive source of definitions for eligible clean heat measures.
* **Review of consequences.** The draft rule should include a process to perform the biennial review of consequences as required by statute.
* **TRM update process.** Part III of the draft rule “establishes a process for approval of additional clean heat measures that are not listed in 30 V.S.A. § 8127(d).” However, it does not appear to include a process for updating existing clean heat measures, such as incorporating new baselines or recent performance data. Also, it appears that only an obligated party, a default delivery agent, or the Department may propose potential clean heat measures to the TAG, that such proposals happen on a rolling basis, and that the proponent of the new measure has to provide supporting information to back up the savings. In contrast, the draft rule lays out a process to update the emissions table (carbon intensities of fuels) every three years.

The TAG **recommends a similar process for installed measures, where there is a TRM update every three years and at that time a technical consultant is tasked with making appropriate updates to measure characterizations for both installed measures and fuels, as well as adding new measures as appropriate.** This would enable emerging technologies to be added to the TRM once they are market-ready.

1. Given the extensive discussion in the companion memo of the development of an alternative that will not have been evaluated by the TAG or the EAG at the time of the final order, the TAG discussed the potential need for an extension in finalizing the rule that allows both the EAG and TAG to fully evaluate any alternatives that might be presented to the legislature.