##### April 6, 2020

**TO:** All Interested Parties

**FROM:** Elizabeth Mallett, NAESB Deputy Director

**RE:** RMQ and WEQ Renewable Energy Certificate (REC) Contract Update

On April 13, 2020, the RMQ Business Practices Subcommittee (BPS) and the WEQ BPS, chaired by Mary Do and Dick Brooks, will hold a joint conference call to continue discussion on the development of a standardized contract, along with accompanying business practices, for Renewable Energy Certificates (RECs) in the voluntary REC market. During the April conference call, the subcommittees will continue drafting a data dictionary containing the standardized data elements needed for a voluntary REC contract.

The momentum to draft a NAESB REC contract for the voluntary market began in 2019 when the RMQ and WEQ Executive Committees created the RMQ and WEQ Executive Committee DLT Task Forces to review the current industry REC processes in order to determine whether distributed ledger technology (DLT) business practice standards were needed. In June of 2019, the task forces – co-chaired by Roy True, Debbie McKeever, and Joshua Phillips – kicked-off their efforts with an informational conference call covering the use of distributed ledger technologies and the REC processes. Over the course of three subsequent joint conference calls, the task forces came to an agreement that, in order to leverage technologies within the voluntary REC process, a model contract and business practices to address data standardization would be beneficial. Once this consensus was reached, rather than focusing on a specific technology, such as distributed ledger technology, the task forces focused on identifying areas in the voluntary REC process and data sets that could benefit from standardization.

During their October meetings, the WEQ and RMQ Executive Committees reviewed the work of the task forces and provided direction to the WEQ and RMQ BPS to begin standards development. To kick-off these efforts within the subcommittees, a joint conference call was held on December 4, 2019. As part of that initial conference call, the participants held a review of the NAESB joint standards development process, listened to an overview of the voluntary REC process, and held discussion on the jointly assigned annual plan items. As stated above, the subcommittees will continue this discussion during the February 27 call.

RECs used to meet jurisdictional/RPS requirements are typically required to be tracked by a regional registry; however, in the voluntary market, RECs may be defined and verified through a method known as contract-path tracking, which is a third-party audit supported by declarations, sworn statements, contract receipts and other proof of generation and transfer of ownership. Currently, the contract-path tracking method is performed on a monthly basis through manual processes to verify the creation of renewable generation and track the chain of custody. Due to the wide variety of contracts, non-uniform data, and the manual settlement processes, tracking the chain of custody can require significant human resources. It is the decrease of those and other manual steps in the REC process that the annual plan item is focused on.