##### April 12, 2021

**TO:** All Interested Parties

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

**RE: Renewable Energy Certificate (RECs) Update**

In October, the Wholesale Electric Quadrant (WEQ) Business Practices Subcommittee (BPS) and the Retail Markets Quadrant (RMQ) BPS anticipate presenting the WEQ Executive Committee with two recommendations containing a NAESB Base Contract for Sale and Purchase of Renewable Energy Certificates (NAESB Base Contract for RECS) and the supporting technical documentation for that contract. On April 27, 2021, the WEQ and RMQ BPS will continue its series of joint meetings to draft the NAESB Base Contract for RECs. A REC is a unique and trackable instrument that represents the right to claim megawatt hours of renewable energy delivered to the grid. The REC process can be categorized into two major groups, compliance and voluntary. REC compliance instruments are used for state Renewable Portfolio Standards programs and, in contrast, voluntary RECs are often used to verify corporate renewable consumption claims. The NAESB Base Contract for RECS will focus on transactions and manual tracking methods in the voluntary market, tracking RECs from creation, through transfer between entities, and to retirement.

Led by the WEQ BPS Chair, Dick Brooks of Reliability Energy Analytics and RMQ BPS Chair, Mary Do of Agility CIS, the subcommittees are utilizing two existing NAESB work products as drafting templates – the NAESB Base Contract for Sale and Purchase of Natural Gas and the technical implementation to facilitate the digital use of that contract. During the April meeting, the subcommittees will focus on a parking lot work paper containing clean up items for the newly-developed NAESB Base Contract for RECs and begin the technical implementation to support the contract, such as data dictionaries and datasets. In late April or early May, the subcommittees anticipate holding an informal industry comment period for the contract to solicit additional feedback from the industry. Similar to the WGQ process for the development of the digital NAESB Base Contract for Sale and Purchase of Natural Gas and its technical implementation, while the drafting of the technical implementation is underway, additional modifications may be made to the contract. If approved by the subcommittees, the recommendations for the NAESB Base Contract for RECS and its technical implementation will be posted for a thirty-day formal comment period and subsequently considered by the WEQ and RMQ Executive Committees during its October meetings.

As background, this effort began in 2019 when Tennessee Valley Authority proposed that NAESB consider the development of a “smart contract” for RECS that could leverage distributed ledger technologies to capitalize on the efficiency and cybersecurity benefits that the technology provides. In response, the RMQ and WEQ Executive Committees created the RMQ and WEQ Executive Committee DLT Task Forces to review the current industry REC processes and determine whether DLT business practice standards are needed. The task forces – co-chaired by Roy True, Debbie McKeever, and Joshua Phillips – proposed that the RMQ and WEQ subcommittees develop a base contract and technical implementation business practices to address data standardization for RECs. The task force also noted that the standards development should focus solely on the voluntary market and have no impact on REC compliance instruments.

In December of 2019, the RMQ and WEQ BPS subcommittees held a joint kick off meeting to analyze common terms used in the voluntary REC market and reviewed the General Terms and Conditions section. During the past several conference calls, the participants have honed in on the Transaction Confirmation, Attestation Document, and the cleanup items on the parking lot work paper. As stated above, the subcommittees are now nearing completion of drafting the NAESB Base Contract for RECs and will move onto technical implementation during the April meeting.