



NORTH AMERICAN ENERGY STANDARDS BOARD

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NAESB VOLUNTARY RENEWABLE ENERGY CERTIFICATES CONTRACT

NAESB is pleased to announce that the organization will undertake an effort, beginning in January, to develop a standardized contract for the sale and purchase of Renewable Energy Certificates (RECs) to support the voluntary REC market. The standardized contract will incorporate the commonly used terms and conditions utilized by contracting parties with the goal of streamlining communications, reducing ambiguities and providing a platform for the automation of processes required by the transactions. In 2019, Tennessee Valley Authority (TVA) proposed that NAESB consider the development of a “smart contract” that could leverage distributed ledger technologies to capitalize on the efficiency and cybersecurity benefits that the technology provides. Through a series of industry meetings, NAESB determined that it would first focus on the development of a standardized contract prior to defining any technology requirements. It was also determined that the standards development should not impact REC compliance instruments that are used for state Renewable Portfolio Standards (RPS) programs, focusing solely on the voluntary market.

Per Bloomberg, over 140 corporations have already pledged to offset their electricity demands with renewables, which will require the purchase of upwards of 197 terawatts of clean energy by 2030. As RECs are the unique, trackable instruments that are used to claim renewable electricity generation, the need to automate the manual processes that support creating, accounting and retiring RECs in the voluntary market is critical to meet these new demands. While laying the groundwork for future automation, a standardized contract will also add efficiency to the manual process of tracking voluntary RECs. Currently, the review, verification and attestation of a wide variety of contracts and non-uniform data requires significant human resources. A standardized contract will help to ensure contracting parties are utilizing uniform terms and conditions and will provide the industry with the opportunity to capitalize on digital technologies, including distributed ledger.

Valerie Crockett, the Vice Chair of the NAESB Wholesale Gas Quadrant representing Tennessee Valley Authority, said “NAESB has a long history of convening the energy industry to provide efficiencies to market transactions through the development of standards, and the voluntary REC market is an area that is primed to benefit from standardization. The emergence of a standardized voluntary REC contract will not only improve the present-day manual tracking of RECs but will also equip the industry with the tools needed for an increasingly digitized market.”

The effort to develop the standardized contract is slated to be complete by year-end 2020, and like all NAESB standards development efforts, any interested party is welcomed to participate in the process. If you are unable to participate in the meetings and conference calls, but would still like to contribute to the effort, the NAESB process also provides several opportunities to submit comments and/or ask questions. If you are interested in participating, please contact the NAESB office for more information.

The North American Energy Standards Board (NAESB) serves as an industry forum for the development and promotion of standards which will lead to a seamless marketplace for wholesale and retail natural gas and electricity, as recognized by its customers, business community, participants, and regulatory entities. It is composed of over three hundred corporate members in the energy industry and many more non-member volunteers who contribute to the drafting and adopting of NAESB standards. To learn more about NAESB, go to www.naesb.org, contact Denise Rager (drager@naesb.org) or call 713-356-0060.