##### October 15, 2021

**TO:** All Interested Parties

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

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

In early October, the WEQ and RMQ Executive Committees approved the *NAESB Base Contract for Sale and Purchase of Voluntary Renewable Energy Certificates* (NAESB REC Base Contract) developed during a series of joint meetings of the WEQ and RMQ Business Practices Subcommittees (BPS). The recommendation was voted out of the subcommittees in early August following an informal comment period. One comment was submitted from Cheniere during the thirty-day formal comment period that concluded in early September and the subcommittees subsequently met to review the comments and develop late comments before the Executive Committee meeting.

The recommendation is the first part of a two-part annual plan item with the first step – the drafting of the contract and the NAESB REC Base Contract FAQ document – already complete. The second step – the drafting of a second recommendation providing supporting technical implementation – is the current focus of the joint meetings. To facilitate the drafting of the contract, the subcommittees utilized the *NAESB Base Contract for Sale and Purchase of Natural Gas* as a starting point. In a similar manner, and in order to expedite the second recommendation, the subcommittees are using the WGQ technical implementation as a draft template. The technical implementation will include data dictionaries and code value dictionaries that allow the contract to be utilized across multiple electronic platforms, including distributed ledger technologies.

As background, 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 Sale and Purchase of Voluntary Renewable Energy Certificates* and its technical implementation focus on transactions and manual tracking methods in the voluntary market, tracking RECs from creation, through transfer between entities, and to retirement. The next WEQ and RMQ BPS meeting to address the technical implementation has been scheduled for October 25, 2021.