##### December 1, 2020

**TO:** All Interested Parties

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

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

On December 15, 2020, the Wholesale Electric Quadrant (WEQ) Business Practices Subcommittee (BPS) and the Retail Markets Quadrant (RMQ) BPS will hold its fourteenth meeting to continue drafting a NAESB Master Agreement for Sale and Purchase of Renewable Energy Certificates (NAESB REC Master Agreement). The NAESB REC Master Agreement will facilitate transactions involving RECs in the voluntary market. As the subcommittees – chaired by Dick Brooks of Reliability Energy Analytics and Mary Do of Znalytics – march forward with the effort, the NAESB Base Contract for Sale and Purchase of Natural Gas is being leveraged as a drafting template. Since the kick off meeting in December of 2019, the subcommittees have analyzed common terms used in the voluntary REC market and reviewed the General Terms and Conditions section. During the past several conference calls, the participants honed in on the Transaction Confirmation and further clarifications to the definitions section.

In 2019, Tennessee Valley Authority (TVA) proposed that NAESB consider the development of a “smart contract” that could leverage distributed ledger technologies (DLT) 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 – kicked-off their efforts with an informational conference call covering the use of DLT 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 DLT, the task forces focused on identifying areas in the voluntary REC process and data sets that could benefit from standardization. The group also concluded that the standards development should not impact REC compliance instruments that are used for state Renewable Portfolio Standards programs, focusing solely on the voluntary market.

As you may know, a REC is a unique and trackable instrument that represents the right to claim one thousand kilowatt hours of renewable energy that has been 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. In contrast, voluntary RECs are frequently used to verify corporate renewable consumption claims. The NAESB REC Master Agreement will focus on manual tracking methods used in the voluntary market, such as Contract Path Tracking which tracks RECs from creation, through the passing off to different entities, and through retirement.