##### June 9, 2020

**TO:** All Interested Parties

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

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

Chaired by Dick Brooks and Mary Do, the Retail Markets Quadrant (RMQ) Business Practices Subcommittee (BPS) and the Wholesale Electric Quadrant (WEQ) BPS, will hold a joint conference call on June 29, 2020. During this call the participants will continue to develop a standardized contract, along with accompanying business practices, for Renewable Energy Certificates (RECs) in the voluntary REC market. During the conference call, the subcommittees will continue to draft a data dictionary containing standardized data elements. As announced in a December press release, the voluntary REC contract will incorporate commonly used terms and conditions that are utilized by contracting parties with the ultimate 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 (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 (RPS) programs, focusing solely on the voluntary market.

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. Following several conference calls held in the first quarter of this year, the subcommittees will continue this discussion on June 29, 2020.

As a background, RECs that are 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.