##### August 18, 2021

**TO:** All Interested Parties

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

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

On August 3, 2021, the WEQ and RMQ Business Practices Subcommittee (BPS) voted out a joint recommendation to adopt the *NAESB Base Contract for Sale and Purchase of Voluntary Renewable Energy Certificates* (NAESB REC Base Contract). This recommendation is the first of a two-part annual plan item. First, the completed recommendation contains the contract and the NAESB REC Base Contract FAQ document. Next, and currently underway within the subcommittees, is the drafting of a second recommendation providing technical implementation that facilitates the digital use of the contract. Led by the WEQ BPS Chair, Dick Brooks of Reliability Energy Analytics and RMQ BPS Chair, Mary Do of Znalytics, the subcommittees utilized the *NAESB Base Contract for Sale and Purchase of Natural Gas* as a drafting template. In order to expedite the second recommendation, the subcommittees will use the WGQ technical implementation in a similar manner. To date, NAESB has received one set of formal comments on the recommendation for the NAESB REC Base Contract. The thirty-day formal comment period will conclude on September 2, 2021.

In 2019, 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 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. A REC is a unique and trackable instrument that represents the right to claim kilowatt 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 and its technical implementation focuses 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 August 31st.