##### February 16, 2021

**TO:** All Interested Parties

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

**RE: Renewable Energy Certificate (REC) Activities**

On February 23, the Wholesale Electric Quadrant (WEQ) Business Practices Subcommittee (BPS) and the Retail Markets Quadrant (RMQ) BPS will hold a joint conference call to continue drafting the NAESB Master Agreement for Sale and Purchase of Renewable Energy Certificates (NAESB REC Master Agreement). 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. Chaired by Dick Brooks of Reliability Energy Analytics and Mary Do of Znalytics, the WEQ and RMQ BPS subcommittees have focused on the facilitation of transactions involving RECs in the voluntary market, as opposed to the REC compliance markets using state Renewable Portfolio Standards, or RPS programs.

Most recently, the subcommittee participants have focused on the definitions within the General Terms and Conditions and the transaction confirmation page. During the upcoming calls, the subcommittees anticipate focusing on additional items, such as holding a discussion on the development of technical implementation documents addressing data dictionaries and data sets for invoicing and other aspects of the transactions. In order to advance the standards development process, the subcommittees have leveraged the familiar NAESB Base Contract for Sale and Purchase of Natural Gas (NAESB Base Contract) as a drafting template. It has been estimated that around ninety percent of natural gas transactions in the United States utilize the terms of the NAESB Base Contract.

The momentum for the NAESB REC Master Agreement began when Tennessee Valley Authority proposed that NAESB consider the development of a “smart contract” that could leverage distributed ledger technologies (DLT) to capitalize on efficiency and cybersecurity benefits. 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 in order to determine whether DLT business practice standards were needed within the industry. After a series of meetings, the task forces – co-chaired by Roy True, Debbie McKeever, and Joshua Phillips – came to a consensus that, rather than immediately focusing on distributed ledger technology, it would be valuable for the subcommittees to draft a master agreement and develop business practices to address data standardization. After reviewing the work of the task forces, the WEQ and RMQ Executive Committees directed the subcommittees to begin standards development. To date, the subcommittees have held fifteen joint meetings to address the annual plan item. The WEQ BPS and RMQ BPS subcommittee conference calls are open to all interested parties.