##### February 21, 2020

**TO:** All Interested Parties

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

**RE:** Update to the Board of Directors – RMQ and WEQ Distributed Ledger Technology Activities

On February 27, 2020, the RMQ Business Practices Subcommittee (BPS) and the WEQ BPS will hold a conference call to continue discussion on the development of a standardized contract for Renewable Energy Certificates (RECs) for the voluntary REC market, along with accompanying business practices. This effort began in 2019 when the RMQ and WEQ Executive Committees created the RMQ and WEQ Executive Committee DLT Task Forces to review the current industry REC processes for financial and/or sustainability accounting/reporting in order to determine whether distributed ledger technology (DLT) business practice standards were needed. In June of 2019, 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 distributed ledger technologies 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 distributed ledger technology, the task forces focused on identifying areas in the voluntary REC process and data sets that could benefit from standardization.

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. As stated above, the subcommittees will continue this discussion during the February 27 call.

As you know, one REC represents 1 MW of renewable energy. RECs were originally designed as a compliance instrument for Renewable Portfolio Standards (RPS) but in recent years have become popular for use in the voluntary market to verify corporate renewable consumption claims. During the recent calls to address RECs, Tennessee Valley Authority (TVA) has cited to a projection that corporate demand will rise from 6 ½ GW to 60 GW by 2025. Participants have noted that the projected ramping up of corporate demand will result in a substantial increase in voluntary RECs.

RECs 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/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 standards development effort is currently focused on.