##### August 27, 2019

**TO:** NAESB Board of Directors and All Interested Parties

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

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

During the upcoming October 15th and 16th WEQ and RMQ Executive Committee meetings, the chairs of two task forces – the RMQ Executive Committee Distributed Ledger Technology Task Force and the WEQ Executive Committee Distributed Ledger Technology Task Forces – will provide presentations on the renewable energy certificate (REC) activities. As part of 2019 RMQ Annual Plan Item 7.a and 2019 WEQ Annual Plan Item 7.b.i, the task forces have agreed to recommend to the Executive Committees that the current REC process would benefit from standardization and that the standards development activities should be assigned jointly to the RMQ and WEQ subcommittees, as appropriate.

These efforts kicked off in early June and were led by Debbie McKeever, Chair of the RMQ Task Force, alongside Roy True and Joshua Phillips, Chair and Co-Chair of the WEQ Task Force. During the first meeting, Karen Utt from Tennessee Valley Authority presented a primer on the REC process and the different tracking methods utilized. Additionally, a presentation delivered by Cade Burks from Big Data Energy provided the participants with an education on distributed ledger technology and smart contracts that could be utilized in the effort.

A REC is a unique, trackable instrument representing the right to claim 1 MWh of Renewable Energy delivered to the grid. Through the discussion on the presentations, it became clear that 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. In addition, there are two types of RECs, those used to meet jurisdictional/RPS requirements and those used in the voluntary market, primarily for corporate customers. Also, it was noted by participants that the majority of Power Purchase Agreements (PPAs) inquiries in the voluntary market do not require registration within a registry. Further, Tennessee Valley Authority requested that the annual plan item be narrowed to deal with the manual Contract-Path Tracking Method that is used in voluntary, rather than compliance, REC markets.

After that first meeting, the task forces drafted a Framework for the REC Process to provide a high-level overview of the steps of the REC process in voluntary markets. If the Executive Committees choose to assign the annual plan items to the RMQ and WEQ subcommittees, the framework is meant to serve as a guide for the standards development efforts. The framework is divided into the life cycle, or six stages, of a REC: Voluntary REC Contract established; Renewable Generation; Renewable Metering, Creation of a REC in Registry of Non-Registry Aggregation; Utility-Provided Attestation; and Retirement.

After its July meetings, the task forces agreed to focus less on technology, such as distributed ledger, and more on the standardization of data. Ultimately, the task forces anticipate requesting that the Executive Committees assign to the WEQ and RMQ subcommittees the creation of a RECs Contract for voluntary markets and create the necessary data elements, as needed for the annual plan item.