##### October 17, 2019

**TO:** All Interested Parties

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

**RE: Renewable Energy Certificates Update**

During the October RMQ and WEQ Executive Committee meetings, the 2019 and 2020 Annual Plans for both quadrants were modified to include a joint assignment to the WEQ and RMQ Business Practices Subcommittees – 2019 RMQ Annual Plan Item 7.b and 2019 WEQ Annual Plan Item 7.b.ii. The annual plan items call for the development of a standard contract to improve and automate the current voluntary Renewable Energy Certificate (REC) creation, accounting, and retirement processes. As you may know, a REC is a unique, trackable instrument representing the right to claim 1 MW of Renewable Energy delivered to the grid. 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. RECs that are used to meet jurisdictional or RPS requirements are typically tracked by a regional registry; however, in the voluntary market, RECs are mainly defined and verified through a method known as Contract-Path Tracking, which is a third-party audit that is supported by contract receipts, declarations and other proof of generation/transfer of ownership.

The effort to develop a standardized REC contract is in response to the recent activities within the WEQ and RMQ Executive Committee Distributed Ledger Technology (DLT) Task Forces. Formed in June, the task forces addressed the RMQ and WEQ annual plan items calling for a review of the RECs process (2019 RMQ Annual Plan Item 7.a and 2019 WEQ Annual Plan Item 7.b.i). At that time, it was decided that the task forces would report back to the RMQ and WEQ Executive Committees on whether standards concerning RECs should be drafted. Based on the review, the task forces suggested that standards surrounding the REC contracting process would benefit the industry and that the effort should be jointly assigned to the RMQ and WEQ Business Practice Subcommittees.

Debbie McKeever agreed to serve as chair of the RMQ Executive Committee Distributed Ledger Technology Task Force, and Roy True and Joshua Phillips served as chair and co-chair of the WEQ Executive Committee Distributed Ledger Technology Task Force. During the first meeting, the task forces were provided with presentations on the REC process, the different tracking methods utilized, and how distributed ledger technology and smart contracts could be utilized with RECs. The task forces agreed that the annual plan item should be limited to the voluntary, rather than compliance, REC markets. After two meetings in July, the participants agreed to first focus on a review of the REC processes and the consideration of relevant data sets rather than begin discussion on potential technologies, such as distributed ledger. The first two meetings culminated in the creation of the RECs Framework document that was finalized during the July and August conference calls. The framework is meant to serve as a guide for the upcoming joint WEQ and RMQ Business Practices Subcommittee conference call that will take place in early November. All interested parties are welcome to join the call.