##### August 1, 2017

**TO:** All Interested Parties

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

**RE: Update on Activities Related to Mexican Energy Market Reform**

During an August 22, 2017 face-to-face meeting, the Wholesale Gas Quadrant (WGQ) Contracts Subcommittee will continue its review of and possibly vote on a recommendation containing the draft Mexican Addendum for the NAESB Base Contract for Sale and Purchase of Natural Gas (Draft Addendum). Developed under 2017 WGQ Annual Plan Item 5, the subcommittee began work on the Draft Addendum just before the winter holidays and, to date, has held five meetings to develop the document.

To further encourage feedback from the industry, the Draft Addendum was posted for a twenty-five day informal industry comment period that concluded on July 6, 2017. On July 12, 2017, the WGQ Contracts Subcommittee met to review the informal comments received from Munich Re Trading LLC and modified the draft recommendation as necessary. Per the NAESB process, once a recommendation on the Draft Addendum is voted out of the subcommittee, the recommendation will be posted for a thirty-day formal industry comment period before being reviewed by the WGQ Executive Committee. The August 22, 2017 WGQ Contracts Subcommittee meeting is open to all interested parties.

A no action recommendation for the Draft Addendum was previously submitted from the WGQ Contracts Subcommittee to the WGQ Executive Committee. Comments were received from the Mexican Comisión Reguladora de Energía (CRE), the WGQ Chair, and 8760 Inc. The comments emphasized the benefits to the gas and electric markets that would result from strengthening the relationship between NAESB and Mexico’s CRE, an agency that has expressed interest in the development of the Draft Addendum. Further, the comment requests that the WGQ Contracts meeting be rescheduled in coordination with those parties who expressed interest in the effort before adopting the no action recommendation. During its February meeting, after reviewing the no action recommendation and the formal comments received, the WGQ Executive Committee remanded the annual plan item back to the WGQ Contracts Subcommittee for further consideration.

Driven by requests from several entities interested in the newly reformed Mexican environment, NAESB has attained a verbatim Spanish translation of three of its WGQ Contracts. The NAESB WGQ 6.3.1 - NAESB Base Contract for Sale and Purchase of Natural Gas; the NAESB WGQ 6.3.1.CA - Canadian Addendum; and the NAESB WGQ 6.5.3 - NAESB WGQ Model Credit Support Addendum are now available to NAESB members and for nonmember purchase. The contracts may be accessed on the NAESB website. As always, NAESB looks forward to supporting future standardization efforts within the Mexican market.