##### October 19, 2020

**TO:** All Interested Parties

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

**RE:** WGQ Distributed Ledger Technology Activities

**Wholesale Gas Quadrant (WGQ) Digital NAESB Base Contract Efforts**

Two recommendations developed under Standards Request R18007 were included in the August 15, 2020 publication of Version 3.2 of the NAESB WGQ Business Practice Standards and were filed as informational with the Commission on August 17, 2020. On August 6, 2020, the NAESB WGQ membership ratified the recommendation for R18007-B, the second of two recommendations to convert the NAESB Base Contract for Sale and Purchase of Natural Gas into a digital “smart” contract that can be used with distributed ledger technology as well as standards related to technical implementation supporting the use of the digital contract. The changes within the second recommendation were adopted by the WGQ Executive Committee on July 8, 2020 and included additional definitions, standards and supporting documents that were not included in the first recommendation.

As you may remember, the first recommendation, R18007-A, for this effort was ratified by the NAESB WGQ membership last November. The modifications in the first recommendation provided updates to the Executive Summary of the NAESB 6.0 WGQ Contracts Standards and Models Manual, new standards and definitions, a paper sample of the electronic contract, and the Technical Implementation of Business Process, Data Dictionary, and Code Values for the Contracts Data Set.

The NAESB DLT efforts began after the Advisory Council suggested that NAESB consider standards development to support the integration of blockchain technology into energy transactions, including how blockchain can improve resilience and supply chain integrity. Further, the Advisory Council recommended that NAESB monitor customer-to-customer transactions and how blockchain technology supports those transactions. Some months later, in 2018, Big Data Energy Services, Adjoint Inc., Pariveda, American Electric Power Service, Tennessee Valley Authority, and JKM Energy & Environmental Consulting jointly submitted Standards Request R18007 proposing that NAESB develop a standard digital representation of natural gas trade events consistent with the NAESB Base Contract for Sale and Purchase of Natural Gas.

Standards Request R18007 was jointly assigned to the WGQ BPS, Contracts Subcommittee, and EDM Subcommittee (WGQ Subcommittees) – chaired by Sylvia Munson from 44 Farris, Leigh Spangler from Latitude Technologies, and Keith Sappenfield from Cheniere Corpus Christi Liquefaction. The WGQ Subcommittees kicked-off standards development efforts in October 2018 with an educational session and closed out the activities after two years of meetings and conference calls. Between October 2018 and September 2019, the WGQ Subcommittees held twelve meetings, many lasting for multiple days, to develop the first recommendation. Subsequently, the WGQ Subcommittees held thirteen meetings, many lasting multiple days, from September 2019 to May 2020 to review and discuss the second recommendation.