##### February 26, 2020

**TO:** All Interested Parties

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

**RE:** Distributed Ledger Technology Update

**Retail Markets Quadrant (RMQ) and Wholesale Electric Quadrant (WEQ) Activities**

As directed by the RMQ and WEQ Executive Committees, the RMQ Business Practices Subcommittee (BPS) and WEQ BPS will hold a joint conference call to continue to develop a standard contract to improve and automate the current voluntary Renewable Energy Certificate (REC) creation, accounting, and retirement processes. During the initial conference call in December, the subcommittees conducted a review of the NAESB joint standards development process, an overview of the voluntary REC process, and discussion on the jointly assigned annual plan items. Now, the subcommittees will focus on common data elements found in the industry and standardization of the terminology.

These annual plan items were precipitated by the efforts of the RMQ and WEQ Executive Committees Distributed Ledger Technology (DLT) Task Forces. These task forces were created by the RMQ and WEQ Executive Committees to address 2019 RMQ Annual Plan Item 7.a and 2019 WEQ Annual Plan Item 7.b.i – Review current Renewable Energy Certificate (REC) processes for financial and/or sustainability accounting/reporting to determine if business practice standards and/or protocols are needed. The task forces kicked-off their efforts in June 2019, and over the course of four joint meetings, came to a consensus that in order to leverage technologies within the voluntary REC process, it would be beneficial if there was a model contract and business practices to address data standardization. Once this consensus was reached, the task forces focused on identifying areas in the voluntary REC process and data sets that could benefit from standardization. The WEQ and RMQ Executive Committees reviewed this work during their October 15 and October 16 meetings, respectively, and provided the direction to the WEQ and RMQ BPS to begin standards development.

Related to distributed ledger technology, the WEQ has a second annual plan item. The 2019 WEQ Annual Plan Item 7.a directs the review of power trade events to streamline the power accounting close cycle to determine if standards should be developed. This standards development effort has not yet been started and has been carried over to the 2020 WEQ Annual Plan as item 7.a.

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

On November 21, 2019, WGQ membership ratified modifications 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. These changes were adopted by the WGQ Executive Committee on October 17, 2019 as part of Recommendation A in support of R18007/2019 WGQ Annual Plan Item 5.a.

Currently, the WGQ BPS, WGQ Contracts Subcommittee, and WGQ Electronic Delivery Mechanism Subcommittee are completing the second part of the recommendation that will culminate in a standard digital representation of natural gas trade events consistent with NAESB WGQ Standard No. 6.3.1 – NAESB Base Contract for Sale and Purchase of Natural Gas. The subcommittees anticipate that the recommendation for R18007-B will contain additional definitions, standards and supporting documents that were not included in the first recommendation, R18007-A. The next meeting will be held on March 3-4, 2020 at the NAESB office in Houston, Texas. All interested parties are welcome to RSVP.

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. The request was jointly assigned to the WGQ BPS, Contracts Subcommittee, and EDM Subcommittee which kicked-off standard development efforts in October 2018.