##### October 4, 2017

**TO:** All Interested Parties

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

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

On October 26, 2017, the WGQ Executive Committee will consider a recommendation containing a Mexican Addendum for the NAESB Base Contract for Sale and Purchase of Natural Gas under 2017 WGQ Annual Plan Item 5. That annual plan item tasked the subcommittee with the development of the Addendum in response to a request from the Mexican Comisión Reguladora de Energía (CRE) and other entities active in the newly reformed Mexican market. In order to encourage further comments from the industry, the WGQ Contracts Subcommittee held a twenty-five-day informal comment period for the draft recommendation. One comment was submitted from Munich Re Trading LLC and the subcommittee met to review the comment and revise the recommendation as necessary before voting out the Mexican Addendum in August. After the subcommittee approval, the recommendation was posted for a thirty-day formal industry comment period that concluded on September 20, 2017. One formal comment was submitted from Santa Fe Natural Gas and will be considered along with the recommendation during the October WEQ Executive Committee meeting.

The participants of the WGQ Contracts Subcommittee met six times beginning in December 2016 to address the annual plan item. As you may remember, a no action recommendation for the Draft Addendum was previously submitted from the WGQ Contracts Subcommittee to the WGQ Executive Committee in December of 2016. During the formal comment period for the no action recommendation comments submitted from the CRE, the WGQ Chair, and 8760 Inc. 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, comments requested 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 and the resulting WGQ Contracts Subcommittee discussion led to the recommendation that will be considered by the WEQ Executive Committee in late October.

In addition to a Mexican Addendum, NAESB has responded to several requests from the industry to acquire verbatim Spanish translations of the NAESB 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.

Also of note, on September 29, 2017, Jonathan Booe, NAESB Executive Vice President and Chief Administrative Officer, delivered a presentation titled *Outlook – Industry Standards development for the Smart Grid* during the Smart Grid Congress Latin America 2017. As always, NAESB looks forward to supporting future standardization efforts within the Mexican market.