##### November 27, 2018

**TO:** All Interested Parties

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

**RE: Update to the Board of Directors – Blockchain Request**

This December, the Board of Directors will consider for adoption the proposed 2019 annual plans. As noted during the October Executive Committee meetings, each quadrant has included at least one item addressing blockchain technology.

During the October Retail Markets Quadrant (RMQ) Annual Plan Subcommittee call, an item to address blockchain technology was added to the proposed 2019 RMQ Annual Plan to review the current manual Renewable Energy Certificate process and potentially develop distributed ledger technology business practices for utility financial and/or sustainability accounting/reporting. If the proposed annual plan item is approved by the board in December, the effort will be jointly assigned to the RMQ and the Wholesale Electric Quadrant (WEQ) Executive Committees, as it may affect both quadrants.

Following the WEQ Annual Plan Subcommittee call and the subsequent WEQ Executive Committee meeting, an item was added to the proposed 2019 WEQ Annual Plan to potentially develop distributed ledger technology standards for power trade events to streamline the power accounting close cycle, if needed. If the proposed item is adopted by the board, it would be assigned to the WEQ Executive Committee and scheduled for completion in 2019.

Additionally, in the Wholesale Gas Quadrant (WGQ) space, the proposed 2019 WGQ Annual Plan will include the ongoing efforts to complete work on Standards Request R18007. After R18007 was assigned jointly to the Wholesale Gas Quadrant (WGQ) Business Practices Subcommittee (BPS), the Contracts Subcommittee, and the Electronic Delivery Mechanisms (EDM) Subcommittee, the October 24, 2018 kick off meeting to address the standards request was announced to the NAESB membership and to industry at large through a September press release. The agenda for the meeting included two presentations on the basics of blockchain delivered by the requesters of R18007 and ConocoPhillips, representing the U.S. Oil & Gas Operator Blockchain Forum. During a follow up conference call on November 16, 2018, the subcommittees determined that the scope of the effort would include two initial objectives: (1) The conversion of the NAESB Base Contract for Sale and Purchase of Natural Gas (NAESB Base Contract) into a digital smart contract that can be used with distributed ledger technology, and (2) The application of the digital smart contract and distributed ledger technologies to support efficiencies in the current natural gas settlement process. To address these items the joint subcommittees will review the NAESB Base Contract, the WGQ Invoice-related standard datasets, the WGQ EDM standards, and the supporting documents for the sales settlement and reconciliation process that results from the NAESB Base Contract. R18007 was submitted to NAESB from Tennessee Valley Authority, American Electric Power Service, Adjoint Inc., Big Data Energy Services, Pariveda, and JKM Energy & Environmental Consulting.