



North American Energy Standards Board

1301 Fannin, Suite 2350, Houston, Texas 77002
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TO: Advisory Council Members, NAESB Board of Directors, NAESB Executive Committee Officers, Posting for Interested Industry Participants
FROM: James Cargas, NAESB Deputy Director
RE: Draft Minutes from the NAESB Advisory Council Meeting – March 6, 2004
DATE: March 16, 2004

NAESB Advisory Council Meeting
Saturday, March 6, 2004
4:00 to 6:00 p.m. Eastern
Washington, DC

1. Welcome & Administrative Items

Mr. Bruce Ellsworth, chair, NAESB Advisory Council, called the meeting to order. Mr. Cargas gave the antitrust advice. Ms. McQuade moved, seconded by Ms. Kiselewich to adopt the draft agenda. The motion passed by consensus.

2. Highlights of 2003 and Activities Underway for 2004

A. Gas and Electric Coordination Task Force (GECTF)

Ms. McQuade summarized the Gas and Electric Coordination Task Force's (GECTF) first meeting in Washington, DC on Jan. 29 and 30, 2004. It was well attended with over 80 participants. The agenda consisted primarily of presentations from representatives of each industry explaining how they schedule delivery of their commodity and serve their customer's daily and hourly needs. The second meeting, on Feb. 10 and 11, 2004, in San Diego was also well attended with over 40 participants. The focus of this meeting was the development of an issues list containing a broad list of issues that may need to be addressed, including flexibility and planning, timelines and scheduling, reliability and terminology. Once completed, the issues list will guide the Task Force in determining whether amendments to existing NAESB standards or development of new standards will be required. The next meeting will be March 15 and 16 in Houston.

B. Letter from Chairman Wood dated Nov. 14, 2003

Ms. McQuade reviewed the Nov. 14, 2003, letter to NAESB from FERC Chairman Pat Wood. The letter was a follow up to a meeting between the Chairman and NAESB leadership in which the Chairman was very supportive of NAESB's activities. The Chairman expressed his concerns over the contentiousness of the WGQ's creditworthiness standards. In his letter, the Chairman stressed the importance of LNG interchangeability, electric and gas intra-day nominations and coordination, and NAESB's support of NERC's reliability standards through the development of complementary business practices. The Chairman noted his interest in a standard power contract developed under the NAESB process. The opposition encountered to this last idea was explained to him during the meeting. Each of these items are presently being addressed by NAESB as discussed in detail below.

C. Wholesale Electric Quadrant (WEQ) Highlights

i. FTAA is First WEQ Standard Passed: The WEQ membership has stabilized at over 160 members and the organization is starting to settle into a productive routine. The first standard passed was the adoption of an Electric Funds Transfer Agency Agreement (FTAA). Like the gas version from which it was adopted, the Electric FTAA will facilitate greater participation of minority



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and women businesses in the marketplace. Ms. Amy Gasca of AmPro Energy was instrumental in its adoption as a NAESB standard contract.

ii. *Coordination with NERC, Establishment of MOU:* On May 15, 2003, NAESB, the North American Electric Reliability Council (NERC), and the ISO/RTO Council (IRC) signed a memorandum of understanding (MOU) to better coordinate their respective standards development activities. Ms. McQuade reported that the MOU has been working very well. She said that the MOU has gone a long way toward dispelling the notion that NAESB and NERC were somehow in competition. Mr. David Cook, General Counsel for NERC, agreed. He noted that determining the line between business practices and reliability practices is very easy at the actual standards level. The apparent conflict only exists at the theoretical level. Mr. Cook noted that all decisions of the Joint Interface Committee (JIC), which was created by the MOU, have been nearly unanimous after some discussion.

iii. *Seams Catalog:* One example of NAESB, NERC and the IRC working together was the creation of a Seam Catalog. After the NAESB Seams Subcommittee, chaired by Mr. Steve Cobb of Salt River Project and Mr. Joseph Rossignoli of National Grid, created a Seams Catalog with 134 issues and significant participation by NERC and IRC members, the JIC assigned 97 issues to either NAESB, NERC or a regional entity. The remaining 37 issues will require further research and discussion before assignment by the JIC.

iv. *OASIS Baseline, IA and II:* Another example of NAESB-NERC coordination is evident in the Electronic Scheduling Subcommittee (ESS), where the three requests for OASIS standards development are being addressed. Those requests are: (1) to adopt a baseline business practice standards, (2) to implement new OASIS 1A business practice standards based on FERC Order 638, and (3) to develop new OASIS 2 business practice standards. Ms. McQuade anticipates the first request for a baseline standard to be fast tracked and quickly implemented, as it reflects standards that are already required for federally jurisdictional entities in existing FERC orders. The second request, OASIS 1A, addresses modifications to the OASIS standards to make those standards more workable in today's market. The OASIS 2 request is a more comprehensive review of standards changes that will require significant time and effort. Ms. McQuade also noted that the Information Technology Subcommittee (ITS) will work with NERC to develop similar standards for the market that address NERC's Critical Infrastructure Protection Action Group's (CIPAG) recently released e-Marc report, which focuses on the implementation of Public Key Infrastructure (PKI).

v. *CIBP and IIPTF Efforts:* Two more examples of NAESB-NERC coordination are the Coordinate Interchange Business Practices (CIBP) Task Force and the Inadvertent Interchange Payback Task Force (IIPTF). Both efforts are very technical in scope and support NERC's efforts in these areas with complimentary business practice standards. For example, NERC is currently redrafting its Policy 3 to include only reliability portions and transitioning the market portions to NAESB's CIBP Task Force. Ms. McQuade reported that these efforts are going very well, and will serve as a model for the organized transfer of other NERC market standards to NAESB.

D. Retail Gas Quadrant (RGQ) and Retail Electric Quadrant (REQ) Highlights

i. *First Set of Retail Model Business Practices – Creditworthiness:* Ms. Ruth Kiselewich, chair, REQ Executive Committee, described the 44 creditworthiness model business practices (MBPs) passed by both the REQ and RGQ. The two retail quadrants have been meeting jointly on this and many other assignments with great success. The creditworthiness MBPs were the result of 15 such meetings in less than one year. They are the first set ever passed by either quadrant. The creditworthiness MBPs are all commodity neutral, and generally cover determination of risk, determination of credit limit, options for reconsideration, disqualification and remedies, security instruments, processes for calling on security, and confidentiality of information exchanged. They



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address the relationship between suppliers and LDC's to the benefit of consumers. The retail creditworthiness MBPs were endorsed by the Executive Committee through a unanimous vote.

ii. *Second Set of Retail Model Business Practices – Billing and Payment:* Ms. Kiselewich also described the 65 billing and payment MBPs recently passed by both retail quadrants and ratified by NAESB's membership on March 1, 2004. The billing and payment MBPs were the result of 16 joint meetings in 12 months. They are flexible and designed to facilitate more accurate end-user bills and proper crediting for payments made, even though different jurisdictions have implemented various degrees of restructuring and allow different methods of transmission. Generally, the billing and payment MBPs cover dual billing option, consolidated billing option, single retail supplier billing option (Texas), and payment processing procedures. Ms. Kiselewich held them out as an excellent example of how NAESB does not develop policy, but takes existing state policies already in existence, and develops flexible business practices.

Ms. Kiselewich's company, Baltimore Gas and Electric, as well as Mr. Novak's company, National Fuel Gas Distribution, have both begun to use these two sets of MBPs in their relations with their respective suppliers and customers.

iii. *Rollout of Retail MBPs at NARUC Winter Meeting:* Ms. McQuade shared plans to make presentations to both the Gas Staff Subcommittee and Gas Committee introducing these two sets of retail MBPs to the state regulatory community. The Electric Staff Subcommittee and Electric Committee, whose meetings often overlap, were unable to add similar presentations to their agendas. The NARUC Winter Meeting affords NAESB an excellent opportunity to respond to questions that commissioners and staff may have. As these two quadrants continue to see their successes come to fruition, the NAESB office will continue to publicize their successes.

iv. *Retail 2004 Annual Plans:* Mr. Mike Novak, chair, RGQ Executive Committee, reviewed the REQ and RGQ 2004 annual plans contained in the meeting materials. He anticipated that much of the work will continue to be accomplished through joint meetings as the two quadrants draft in a commodity neutral manner to get their business model across. There will on occasion be commodity specific MBPs. He anticipated customer information and supplier dispute resolution MBPs to make up the next hundred MBPs finalized by the REQ and RGQ.

Now that the first two sets of MBPs are final, Mr. Novak saw an expanding of this foundation through the development of data sets, customer information, and supplier dispute resolution provisions that support both creditworthiness, and billing and payment. Mr. Novak noted that the data sets and electronic data interchange (EDI) provisions will most likely be borrowed from the WGQ's models. How data moves across the internet does not change depending on whether the transaction is wholesale or retail in nature. Mr. Novak did acknowledge that flat file formats are more prevalent in the gas industry, but still not uniform enough to prevent adoption of another format as a model business practice.

Finally, in 2004, Mr. Novak anticipates greater membership growth and participation in the retail quadrants once these initial successes become more well known and adopted in the marketplace.

E. Wholesale Gas Quadrant (WGQ) Highlights

i. *Release of WGQ Version 1.7:* Mr. Jim Buccigross, chair of both the NAESB Executive Committee and the WGQ Executive Committee, summarized 2003 as being "rocky" in which many difficult issues were addressed. Those few issues aside, the release of Version 1.7 on Dec. 31, 2003, represented more maintenance of existing standards than radical new change. The bulk of changes in Version 1.7 keeps up with changes in technology. This is especially important for the EDI standards which have been adopted by Texas, Pennsylvania and New York for application in retail markets. They are also used extensively, on a voluntary basis, in Ohio, Wisconsin and Illinois.



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Mr. Freitas reminded the Council that it has been over four years since Sandia National Lab reviewed these standards (Version 1.3), and that it may be time for another review. Mr. Buccigross concurred and noted that the previous review was very valuable. NAESB adopted every one of Sandia's recommendations.

ii. *Credit Support Addendum:* Mr. Buccigross reviewed the history of NAESB's (then GISB) development of its Base Contract for the Purchase and Sale of Natural Gas. Acceptance has gone from 1997 when no-one used it, to 2004 when the majority of short-term gas trades are made using this standard contract. The recent addition of a credit support addendum creates a standardized security document.

iii. *WGQ Creditworthiness Standards:* The FERC requested NAESB to develop creditworthiness standards for pipelines, and the WGQ did so where clear policy existed. Disagreement arose however, in that grey area where FERC policy existed in individual pipeline orders allowing some participants to conclude that such policies did not apply to the entire industry. Mr. Buccigross described how the subcommittee developed 23 standards, but only 10 were adopted by the EC. The EC vote, he noted, was very close since most standards had the support of four segments, but not the fifth. Changing the language in one standard to gain the support of the fifth segment would result in another segment opposing the amended standard.

On Feb. 12, 2004, the FERC issued a notice of proposed rulemaking (NOPR) in RM04-4-000 adopting NAESB's 10 creditworthiness standards and a few that did not pass the EC. Ms. McQuade stated that the WGQ will not be revisiting creditworthiness unless the NOPR becomes a final FERC order.

iv. *Request for Gas Quality Standards:* Request #R03035 submitted by Florida Power and Light requests NAESB look at three distinct areas of gas quality: (A) establish web-based reports for tracking all physical and chemical properties of natural gas defined in pipeline tariffs; (B) develop a uniform process, including the underlying assumptions and methodologies, for determining gas quality specifications from measured data; and (C) examine the need to establish gas quality specification standards and draft such standards as appropriate. Ms. McQuade related how the Triage Committee rejected this request, but the Managing Committee, and then the full Board of Directors overturned that recommendation and found all three parts within the scope of NAESB. She anticipates the EC making assignments at its next meeting in a sequential manner, i.e., addressing part A before parts B and C. Ms. McQuade pointed out that no part of the request actually asks NAESB to develop actual gas quality standards, but the business practices involving various aspects of gas quality.

Ms. McQuade was asked to speak at the Feb. 18, 2004, FERC technical conference on gas quality. The Natural Gas Council is also working on the technical aspects of gas quality. Although the increase in LNG imports is driving the heightened interest in gas quality, Ms. McQuade reminded the Council that GISB filed a report in 1996 with FERC stating its intent to take up gas quality reporting standardization, which is part A of the present request.

3. Liaison Efforts

A. Reach Out Tour

Mr. Michael Desselle, NAESB Board Vice Chair, and Ms. McQuade made several outreach efforts in Fall 2003 to ensure that western interests were aware of NAESB's activities, know how to become involved if they should choose to do so, and make use of the "At a Glance" and e-mail distribution lists to easily monitor our efforts. They also addressed the unfounded concerns that business practices developed for the east would be forced on the west. They met with the Seams Steering



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Group – Western Interconnection (SSG-WI), Western Electricity Coordinating Council (WECC), California Public Utility Commission (CPUC), California Energy Commission (CEC), Northwest Power Planning Council, Los Angeles Department of Water and Power (LADWAP), Western Area Power Administration (WAPA), RTO West, and West Connect.

B. NARUC Monthly Update Calls

Ms. Lou Ann Westerfield praised NAESB's continued hosting of one-hour monthly update calls. Ms. McQuade pointed out that these calls were initiated for the benefit of state commission staff who wanted to keep informed of NAESB's activities, but today NAESB finds many industry representatives also participating.

C. NERC and IRC

This topic was covered under WEQ highlights above. Ms. McQuade added that the point of contact with NERC is their Market Committee, and with RTO/ISO Council (IRC) their Standards Review Committee. In 2004, NAESB will be increasing its coordination with the IRC directly. In the past, coordination has been achieved through vibrant participation by its members.

D. FERC

This topic and Chairman Wood's recent correspondence was covered under WEQ highlights above.

4. **Presentation on How to Track Issues and Subcommittee on Web Site**

Mr. Cargas gave a brief presentation on how to locate information on upcoming meetings, past meetings and related materials, and NAESB's government activities on NAESB's web site.

Information on upcoming meetings can be found (a) on the "Meetings and Events Calendar," (b) on the web pages of individual committees, subcommittees, Board, and EC, (c) through monthly update calls and "At a Glance" notes, (d) on the Annual Meeting web page, and (d) by signing up for e-mail notices. Information on past meetings, and the materials related to them, can be located by (a) tracking a single issue or range of issues, (b) tracking a particular request, (c) reviewing past At a Glance notes from the monthly update calls, or (d) visiting the web pages for the EC and Board which generally meet quarterly. Information on NAESB's government activities and filings are located on a single web page.

The NAESB web site also has a search feature that allows searches within results and several sort options. If you cannot locate the information you are seeking, Mr. Cargas concluded, you can always call or e-mail the NAESB office.

5. **New Business**

A. 2004 Annual Meeting in Austin, Texas

Ms. McQuade announced that the NAESB 3d Annual Meeting will again be held at the historic Driskill Hotel in Austin, Texas. The dates are Sept. 14-15, 2004. The Driskill's reduced room rate will be available until Aug. 25, 2004.

The program will be similar to last year with a panel of state commissioners and a panel of former FERC commissioners. Representatives from FERC, DOE, EIA and the financial community will also be invited to speak again. Several new panels are in the works.



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B. Election of Chair for 2004-2005

Ms. McQuade entertained nominations for NAESB Advisory Council Chair for 2004-2005. Mr. Gray nominated Mr. Ellsworth for another term. The nomination was seconded by Mr. DeBoissiere. The nomination was passed by consensus.

Mr. Ellsworth thanked the Council for their support and encouraged them to contact NAESB with their ideas and suggestions between Council meetings. Ms. Westerfield emphasized the value to the regulatory community of participating in the Monthly Update calls.

6. **Adjourn**

The meeting was adjourned on March 6, 2004 at 6:00 p.m. Eastern.

Observers:

Kathleen Magruder	Generation Power, Inc.
Grace Delos Reyes	National Assoc. of Regulatory Utility Commissioners

NAESB Members and Staff:

Jim Buccigross	Vice President, 8760, Inc., and Chair, NAESB Executive Committee
James Cargas	NAESB Deputy Director
Ruth Kiselewich	Director of Special Projects and Supplier Serv., Pricing and Reg. Serv., Baltimore Gas & Electric Co., and Chair, NAESB Retail Electric Quadrant
Rae McQuade	NAESB Executive Director
Mike Novak	Assistant General Manager, National Fuel Gas Distribution Co., and Chair, NAESB Retail Gas Quadrant
Veronica Thomason	NAESB Executive Assistant



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2003-2004 Advisory Council

Bruce Ellsworth	Chairman, NAESB Advisory Council & Former Commissioner, N.H. Public Utilities Commission & Former Chairman, NARUC
Charles Acquard	Executive Director, NASUCA
Diane Barney	New York State Department of Public Service
Denise Bode	Chairman, Oklahoma Corporation Commission
John Bulger	Member, National Energy Board
Laura Chappelle	Commissioner, Michigan Public Service Commission
Steve Chesebro'	Chairman, Harvest Natural Resources & Founding and First Chairman, Gas Industry Standards Board and North American Energy Stds. Board
Bill Cooper	Majority Counsel, House Committee on Energy and Commerce
Alex DeBoissiere	Vice President, Government Regulations, Midwest ISO
David Eichenlaub	Virginia Corporation Commission
Christopher Freitas	Program Manager, U.S. Department of Energy
Robert Gee	President, The Gee Strategies Group, and former Assistant Secretary, U.S. Dept. of Energy, former Chair, Public Utility Commission of Texas
Charles Gray	Executive Director, NARUC
Craig Goodman	Executive Director, NEM
Sheila Hollis	Partner, Duane, Morris & Heckscher
Robert Keating	Commissioner, Massachusetts Department of Public Utilities
Rebecca Klein	Chair, Texas Public Utility Commissioner
Jerry Langdon	Executive V.P. and Chief Administrative Officer, Reliant Resources and Former FERC Commissioner
Ruth Kretschmer	Vice President of Policy and Business Development, GEV Corporation, and former Commissioner, Illinois Commerce Commission
Dan Larcamp	Director, FERC
Don Mason	Commissioner, Ohio Public Utilities Commission
Charles Matthews	Commissioner, Texas Railroad Commission
John McCarthy	Acting Chief Operating Officer, National Energy Board
Raul Monteforte	Comisionado, Comision Reguladora de Energia
Dave Nevius	Vice President, NERC
Dick O'Neill	Chief Economic Advisor, FERC
Tom Pearce	Ohio Public Utilities Commission
Phil Peters	Legal Attorney Advisor, FERC
Roland Priddle	Former Chairman, National Energy Board
Bob Rowe	Chairman, Montana Public Service Commission
Howard Shafferman	Partner, Ballard Spahr Andrews and Ingersoll
Veronica Smith	Executive Director, Pennsylvania Public Utility Commission
Lou Ann Westerfield	Idaho Public Utility Commission