



## Gas Industry Standards Board

1100 Louisiana, Suite 4925, Houston, Texas 77002

Phone: (713) 356-0060, Fax: (713) 356-0067, E-mail: gisb@aol.com

Home Page: www.gisb.org

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**TO:** GISB Board of Directors  
**FROM:** Rae McQuade, Executive Director  
**RE:** Retail Marketing Report  
**DATE:** November 18, 1999

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**GAS INDUSTRY STANDARDS BOARD**  
**REPORT TO THE BOARD OF DIRECTORS**  
**ON**  
**GAS & ELECTRIC RETAIL MARKETING**

### **I. Introduction**

The Coalition for Uniform Business Rules (CUBR), represented by Mr. Keith Sappenfield and Mr. Bill Hunsicker, made a presentation to the Board of Directors on September 30. In the presentation, Mr. Sappenfield described the make-up of the coalition, its mission, and efforts to create standards for the gas and electric retail market. The coalition has asked GISB to take its work product and develop and maintain gas and electric retail market standards.

In response to the coalition's presentation, the Board formed a group headed by Bill Boswell and composed of Board officers (Jim Templeton, Stan Horton and Bill Boswell) and members (Nancy Laird and Julie Gomez), Executive Committee officers (Jim Buccigross and Mike Novak), the GISB General Counsel Jay Costan and the GISB Executive Director Rae McQuade. The group was charged with reporting back to the Board on December 2 on the implications of developing retail market standards on four areas: (1) scope, (2) governance documents, (3) funding and (4) resources.

The Board task force at this time presents its report covering the following areas: (1) alternatives on how to proceed based on conversations and meetings with trade associations and government agencies, (2) scope and governance implications, particularly as regards development of retail electric standards, (3) budget implications, (4) membership and resource implications and (5) suggested action items for the Board to consider at the December 1999 meeting.

In some respects, the subject matter of this report could have momentous implications on the future course of GISB. Clearly, the invitation to GISB to become involved in the development of standards for the electric industry suggests an evolution of GISB from an organization devoted solely to serving the gas industry to one which would serve both the electric and gas industries, whose needs are viewed as both similar and converging.



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The task force offers no specific recommendation as to what the Board ultimately should do. Instead, we offer only two points for the Board to consider in its deliberations.

The first is that GISB, through its evolution as a standard-setting organization, has developed significant credibility within the industry and with governmental agencies. This is a important institutional asset and one which has been purchased through expenditure of tremendous effort and a steadfast determination to develop an organizational structure that fairly represents all industry segments and provides a workable and credible format for developing consensus on industry business practices and standards. No other organization has this type of credibility or is anywhere near garnering the broad industry support that GISB has amassed over the five years of its existence.

The second point is that one of the hallmarks that has made GISB successful is that it has taken a measured approach to each problem or challenge presented to it. As a consensus-building organization, GISB is known for a deliberative process and, out of that process, for results that are supported by the industry.

In our visits with industry trade associations and government officials, we were reminded over and over again how these characteristics have made GISB, uniquely, the successful organization that it is. In presenting this report, we have attempted to let these precepts guide us in setting out for the Board things that might lie ahead.

## II. Alternatives

In discussions held with the trade associations and government agencies, several alternatives came to light. As one alternative, we could decide not to do anything. We would thank CUBR for its presentation and request, and inform the group that at this time, we are not prepared to take any action. We could also determine to work with trade associations and others that are working on, or are planning to work on, retail market practices.

If we determine to go forward and develop retail market standards, we can either (1) develop retail market standards for natural gas – which would not require any changes to our governance documents and organization, or (2) develop retail market standards for both gas and electric markets – which would effectively reform our organization into an energy standards board.

If we determine to proceed with developing retail market standards, we could do so through several approaches:

- (1) We could develop a full plan for retail market standards, including milestones, gain approval of the plan from the Board, and then proceed as we did in the development of the Internet standards. Board approval



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to go forward would be required at each milestone. The plan may incorporate the development of a pilot, and may include the development of standards for some areas of retail marketing and then gain Board approval before proceeding to other areas, or

- (2) We could respond to requests as received – using the process of a Triage Group and Executive Committee actions, as is used today for requests that are submitted to the GISB office, or
- (3) We could pursue the feasibility of changing GISB to incorporate wholesale and retail gas and electric standards, and hold an industry wide (both gas & electric) meeting with all interested parties invited to participate. The results of the industry wide meeting would be reported to the Board at its March meeting and would result in consideration of necessary governance document changes.

### III. Scope and Governance Implications

In a document attached to this report, our general counsel notes that the consideration and development of standards for gas retail markets **are within our scope**. To address gas retail markets would not require changes to our certificate, bylaws or organizational structure.

If GISB determines to develop standards that support retail electric transactions, a scope change would be needed. This would also require changes to our certificate and bylaws, and changes to the component parts of our Board and Executive Committee.

### IV. Budget Implications

The current proposed budget for 2000 does not include development of standards for retail marketing for gas or electricity – and addressing either would mean an increase. An estimate based on the budget for 2000 to cover the additional work for gas retail market standards shows a 43% increase (\$375,000) to \$1,250,000. An estimate based on the budget for 2000 to cover the additional work for gas and electric retail market standards shows a 60% increase (\$525,000) to \$1,400,000. These estimates would require refining and are presented in this report to demonstrate the types of increase in expenses that are anticipated. The estimates are conservative and would probably increase upon further careful review.

The budget would need to be increased to cover:

- Part-time office staff to help with additional work in the office supporting additional meetings, preparation and distribution of work papers, and providing work papers for the standards development process.



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- Office expenses to support the additional work load
  - Travel expenses to support travel to additional meetings, and the meeting expenses would either be sponsored or attendees could be charged for the attendance where the meetings are not sponsored.
  - Publications expenses for copying meeting materials and transcription services for some of the meetings.
  - Outside services for web site maintenance, legal support, additional accounting efforts, technical writing staff for the development and maintenance of standards manuals.

The estimated budget for 2000 is shown below, with expenses for development of gas retail market standards, and gas and electric retail market standards, shown in contrast:

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<b>Revenue Accounts</b>	<b>2000 Budget</b>	<b>with gas retail market effort</b>	<b>with gas &amp; electric retail market effort<sup>1</sup></b>
Membership Dues	\$ 750,000		
Certification	\$ 22,500		
Courses & Meetings & Products	\$ 75,000		
Advertising	\$ 25,000		
Interest	\$ 3,000		
<b>TOTAL</b>	<b>\$ 875,000</b>		
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<b>Expense Accounts</b>			
Salaries, Benefits & Taxes	\$ 410,000	\$ 430,000	\$ 440,000
Office Rents	\$ 45,000	\$ 45,000	\$ 45,000
Office Expenses	\$ 45,000	\$ 55,000	\$ 55,000
Telecommunications	\$ 65,000	\$ 80,000	\$ 95,000
Travel & Meetings	\$ 100,000	\$ 150,000	\$ 170,000
Publications	\$ 50,000	\$ 80,000	\$ 80,000
Outside Services	\$ 110,000	\$ 185,000	\$ 250,000
Insurance	\$ 10,000	\$ 10,000	\$ 10,000
Other (Contingency)	0	\$160,000	\$ 200,000
Capital Expenditures	\$ 40,000	\$ 55,000	\$ 55,000
<b>TOTAL</b>	<b>\$ 875,000</b>	<b>\$ 1,250,000</b>	<b>\$ 1,400,000</b>

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<sup>1</sup> Adding wholesale electric transactions would certainly increase the expense categories - up to possibly \$1,750,000.



## **V. Membership and Resources Implications**

- If the increase in the expenses is accommodated through membership dues, either 75 (gas retail markets addressed) or 105 (gas and electric retail markets addressed) new members will be needed.
- The increase could also be accommodated through sponsorships – similar to those used to start GISB.
- GISB would need additional volunteers to work in the meetings to develop the retail gas market and electric market standards. These volunteers may already be working to support development of the standards through other groups – however some companies in segments which are directly impacted by standards in the retail market may see their level of participation increase.
- Financial support necessary to accomplish retail gas and electric retail market initiatives must be forthcoming in order to permit GISB to undertake this effort.
- If the funding is not available through either additional memberships or sponsorships, it is clear that the industry does not support development of the retail market standards, and GISB should not pursue them at this time.

## **VI. Action Items for December**

The Board will be asked in December to consider the following action items through procedural (simple majority) votes:

1. Should GISB pursue the development of gas retail market standards? (Yes/No)
2. Should GISB prepare a gas and electric retail market standards development study? (Yes/No)
3. Should GISB establish a committee to work with trade associations and others developing retail market standards? (Yes/No)
4. Should GISB propose and sponsor a broad based meeting, involving gas and electric industry representation, regarding the need and support for an organization whose role would be to develop wholesale and retail energy standards? (Yes/No)
5. Should GISB establish a committee to recommend to the Board at the March meeting, a course of action and revised governance documents which would accommodate the development of electric and gas wholesale and retail standards? (Yes/No)



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### **Appendices:**

- A. Discussions with Trade Associations & Government Agencies
- B. General Counsel Analysis



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**TO:** Jim Templeton, Bill Boswell, Jim Buccigross, Jay Costan  
**FROM:** Rae McQuade, Executive Director  
**RE:** Summary of meetings with the Trade Associations, FERC & DOE  
**DATE:** November 16, 1999

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INGAA Anne Roland, Joan Dreskin

On October 18, Jim Templeton, Jay Costan and Rae McQuade met with Anne Roland and Joan Dreskin at INGAA's office. We described the request from the Coalition for Uniform Business Rules (CUBR), and the Board action taken on September 30. During the discussion, they offered several comments: they were unclear if gas retail marketing was within GISB's scope because of the commercial nature of retail marketing, they were unsure of how addressing retail marketing would affect other annual plan items for 2000, they were interested in how addressing electric standards would affect the make-up of our Board and EC, and affect the voting procedures of both bodies. They raised a question of if GISB determines to proceed and address retail marketing, would it be done in one organization or two? In summary, they were taking a "look and see" approach. Anne had an interesting observation that how the standards for ATM cards were developed so that ATM cards work coast-to-coast in all banks should be investigated to see if the experience can apply to GISB.

NGSA Skip Horvath, Pat Jagtiani

On October 18, Jim Templeton, Jay Costan and Rae McQuade met with Skip Horvath and Pat Jagtiani at NGSA's office. Both Skip and Pat noted that the opinions expressed were theirs -- not necessarily their members. Skip thought that merging gas & electric interests including standards was the way of the future, and we would need champions and funding if we were to be successful. He noted that if the retail market were strong, it would benefit the producers. They were supportive of retail market standards development and did not see a down side to GISB developing these standards assuming the funding was available. They noted that they would check with their membership and let us know their membership's views.



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EI Mike McGrath, Andy Katz, Larry Brown

On October 19, Jim Templeton, Bill Boswell, Jay Costan and Rae McQuade met with Mike McGrath, Andy Katz and Larry Brown at EEI's offices. Both Andy and Larry were active in the industry wide meetings at the DOE that led to the creation of GISB. Mr. McGrath explained that they were developing business practices for both gas and retail marketing but they were unsure how far the development would proceed, as they did not want to stifle innovation. They have a guidance team made of named members to determine how to proceed and they have planned four workshops. They expect to have a report completed by the end of the year as an answer to the CUBR document. They have asked both CUBR and AGA to partner with them in their efforts. CUBR representatives are working with EEI, and at the time of our meeting, AGA had not committed to partner with them. It is not their intent to develop standards to the detail level of information requirements to support the business practices adopted by EEI. The web site they use to distribute information is "[www.ubpnet.org](http://www.ubpnet.org)".

AGA Karen Hill, Roger Cooper

On October 19, Jim Templeton, Bill Boswell, Jay Costan and Rae McQuade met with Karen Hill and Roger Cooper at AGA's offices. They are aware of the EEI efforts and at the time we met, had asked several of their members if they supported GISB developing gas retail marketing standards. Not all responses had been received, but the overwhelming opinion was that GISB should not develop standards for retail marketing at this time. As a result, they noted that it was premature to support development of retail marketing standards and that more information was needed. They had not yet determined if they were going to partner with EEI.

ERCOT Kent Saathoff, Ray McCoy

On November 2, Jim Templeton, Jim Buccigross, Bill Boswell, Sylvia Munson, Carl Caldwell, Jay Costan and Rae McQuade met with Kent Saathoff and Ray McCoy via teleconference call. Mr. Saathoff and Mr. McCoy noted that they are currently addressing the operational/administrative process of customer choice and the settlement process. At the time of the call, ERCOT was reviewing consultant presentations on software for customer profiles with a focus on the settlement process. They are expecting a centralized or decentralized system probably to be administered by the ISO for



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the Texas retail market. Further information on their efforts can be found at [www.ercot.com](http://www.ercot.com).

DOE Assistant Secretary Gee, Christopher Freitas

On November 4, Jim Templeton, Jim Buccigross, Jay Costan and Rae McQuade met with Assistant Secretary Gee and Christopher Freitas at the DOE offices. Assistant Secretary Gee said that it was in the nation's best interests that a crazy quilt of standards, possibly in conflict, not be developed which would hinder the development of the retail marketplace. They noted that they were considering proposing a resolution at NARUC - at the Gas Committee, Electricity Committee or the Telecommunications Committee regarding such. Assistant Secretary Gee noted that the DOE continues to strongly support GISB's efforts, and would support us as we determine which direction to take on retail marketing standards.

FERC Dick O'Neill, Kevin Madden, Phil Peters

On November 5, Jim Templeton, Jim Buccigross, Jay Costan and Rae McQuade met with Dick O'Neill, Kevin Madden and Phil Peters at the FERC offices. They all reiterated opinions expressed by the DOE, and noted that while their interests are at the federal level, they would have interest in the retail market provided there is a tie to the wholesale market. They are sensitive to the states' concerns and promote a non-Balkanization approach in the development of the retail market. While one comment was made that development of national retail standards would require significant persuasion, it was followed by a appreciation for the GISB open process which allows for all stakeholder groups to have a voice in the decisions made. Other groups were mentioned for contact - namely, the Governors Association, the American Public Power Association, NERC, EPRI and NEARO.

## MEMORANDUM

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McGUIREWOODS  
BATTLE & BOOTHE LLP

**TO:** GISB File

**FROM:** Jay Costan

**DATE:** November 16, 1999

**RE:** Organizational Issues Relating to Possible Involvement of GISB in Development of Retail Gas and Electric Standards

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Recently the Coalition for Uniform Business Rules ("CUBR") asked the Gas Industry Standards Board ("GISB") to consider becoming involved in the development of standards for retail gas and electric transactions. A special committee has been appointed by the GISB Board of Directors to study the issue and to identify the changes that would be necessary at GISB to become involved in this undertaking. This memorandum will provide a preliminary report on what would be necessary, in terms of changes to GISB's organic documents and organizational structure, to undertake this task if the GISB Board of Directors determines to do so.

**Question No. 1.** Does GISB have sufficient authority in its Certificate of Incorporation to embark upon the development of standards for retail transactions in natural gas?

Yes. Article II, Section 1 of GISB's Certificate of Incorporation defines its scope as follows:

The objects and purposes of GISB are to propose and adopt voluntary standards designed to promote more competitive, efficient and reliable gas service, as such standards apply to electronic data interchange ("EDI") record formats, communications protocols and related business practices that streamline the transactional processes of the gas industry. GISB's first priority shall be to address the remaining or unresolved issues of the Electronic Bulletin Board ("EBB") Working Group established by the Federal Energy Regulatory Commission ("FERC" or the "Commission").

The authorization for GISB to "propose and adopt voluntary standards designed to promote more competitive, efficient and reliable gas service" seems sufficiently broad to encompass authority to develop standards for retail gas transactions. GISB's statement of purpose and scope is in no way limited to wholesale gas transactions; indeed, standards already promulgated by GISB and adopted by the FERC for interstate pipelines cover the transportation of natural gas that is sold

both at wholesale (i.e., to marketers and local distribution companies) and at retail (i.e., to end users). Nor is GISB's grant of authority limited to transactions in interstate commerce.

In short, the language of Article II, Section 1 appears to be broad enough to encompass the development of standards for retail transactions, and nothing in the provision can fairly be read to preclude it. Accordingly, if the Board of Directors were to determine that GISB should become involved in the development of standards for retail gas transactions, it is not likely that such action could be successfully challenged as beyond GISB's authority under its Certificate of Incorporation.

**Question No. 2.** Does GISB possess the necessary authority in its Certificate of Incorporation to undertake the development of standards for retail electric transactions?

No. The literal terms of Article II, Section 1 are limited to standards relating to "gas service." This language is not fairly susceptible to an interpretation that would include "electric service" as well.

**Question No. 3.** What changes would be necessary to GISB's Certificate of Incorporation in order for it to have the legal authority to undertake the development of standards for retail electric transactions?

At a minimum, Article II, Section 1 of the Certificate of Incorporation would need to be amended to include "electric service" in addition to gas service or, alternatively, to include "energy service" as a substitute for gas and electric service. In addition, and for purposes of avoiding any confusion, GISB would most likely need to change its name to something like the "Energy Industry Standards Board." Finally, other changes would need to be made to the Certificate to implement a representational voting structure, consistent with the current format, that would be suitable for both the gas and electric industries, including:

- Adding additional industry segments on the electric side so that the development of electric standards would include a cross-section of the industry analogous to the industry segments that are represented currently for gas standards. The most obvious additions would be to include segments for (i) electric producers or generators, and (ii) electric transmission/distribution owners. With these changes, a case could be made that all segments would be fairly represented, since the end user and service segments are common to both the gas and electric industries
- A determination would also need to be made on total composition of the Board and Executive Committee and the number of votes necessary to make up the super majorities needed to amend the Certificate of Incorporation at the Board level and to adopt standards at the Executive Committee level. As part of this task, consideration would need to be given whether the Executive Committee should meet separately on gas and electric standards or as a "committee of the whole" to adopt standards for both industries. An argument can be made that it would make sense to keep Executive Committee sessions on the two types of standards separate because of (i) cross representation between industry segments

on the gas and electric sides, and (ii) the presence of some segments that are unique to only one industry.

For example, on the cross representation point, on the gas side, electric utilities are members of the end-user segment, while on the electric side they would be members of the distribution/transmission segment and possibly the producer/generator segment. If the gas and electric groups were combined for voting purposes, there is the possibility that some segments (e.g., end-users on gas) would be overrepresented because of the large number of electric utilities that would be entitled to vote. Similarly, with regard to the issue of unique presence, on the gas side there are producers, local distribution companies and pipelines, which are unique to the gas industry, while on the electric side, there are producer/generators and transmission/distribution companies which are unique to the electric business. In these roles, these companies are not particularly concerned about the development of standards for the other industry. As a result, a case can be made to keep the standard-setting functions for the two industries separate at the Executive Committee level. One drawback to this, however, is that it would place double demands on the end user and services segments, which are common to both industries.

The organizational changes required at GISB would be fairly complex and may require some experimentation in order to get the balance right for purposes of achieving broad-based industry participation and fair representation among different industry segments. In any case, the task of expanding GISB's charter to include electric transactions would present unique challenges and complexities in the evolution of GISB as an institution, and would no doubt require the commitment of considerably greater financial and human resources in order to do the job properly.