

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Standards For	)		
Business Practices	)	Docket No.	RM05-5-000
Standards and Protocols	)		
Of Electric Industry			

Comments of the North American Energy Standards Board

January 18, 2005

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The North American Energy Standards Board (“NAESB”) is pleased to present this filing to the Federal Energy Regulatory Commission (“FERC” or “Commission”). As reflected and described in this filing, NAESB prepared a detailed submittal of business practices standards and communication protocols for the wholesale electric industry. Although NAESB and its predecessor the Gas Industry Standards Board have a long history of filing reports with the Commission that discuss standards adopted that address wholesale gas business issues, this is NAESB’s first filing with the Commission that discusses standards that have been adopted to address business issues that affect the wholesale electric industry. This submittal reflects the adoption of these business practices standards and communication protocols by the NAESB Wholesale Electric Quadrant (“WEQ”) subcommittees to which they were assigned by the NAESB WEQ Executive Committee (“EC”), and the ratification of the standards and protocols by the NAESB WEQ general membership. Completion of the ratification process signifies the industry’s support of the standards.

I. EXECUTIVE SUMMARY

This report contains a detailed submittal of business practices standards and communication protocols for the wholesale electric industry, including standards that address

Open Access Same-Time Information Systems (“OASIS”)^{1,2}, coordinated interchange, area control error (“ACE”) equation special cases³, manual time error correction, and inadvertent interchange payback⁴, as well as the OASIS Standards & Communications Protocol (“S&CP”) and data dictionary, and standards of conduct⁵. An historical perspective on the formation of NAESB and the WEQ and a detailed description of NAESB standards development process which is based on industry participation and industry consensus is provided. A procedural history for each of the standards, including the industry initiatives that have prompted NAESB’s adoption of the standards and the specific process by which the standards were adopted, is also provided.

While NAESB does not file standard contracts with the Commission, the WEQ membership has also ratified the Funds Transfer Agent Agreement (“FTAA”)⁶, which was adopted by the WEQ EC on June 3, 2004.

The standards discussed in this report represent over 4,500 man hours contributed by the 132 WEQ members⁷ and other industry participants⁸ over the span of twenty-four months.

¹ The OASIS Business Practices, Standards and Communications Protocols and Data Dictionary were adopted by the NAESB WEQ Executive Committee on February 24, 2004. The OASIS Business Practices, Standards and Communications Protocols were subsequently amended by the NAESB WEQ EC on November 16, 2004.

² The OASIS standards also address the Standardization of Generator Interconnection Agreements and Procedures, Order No. 2003, RM02-1-000, 104 FERC ¶61,103 (July 24, 2003) (“Large Generation Interconnection Order” or “FERC Order No. 2003”).

³ The ACE Special Cases Standard as presented in this filing represents business practices associated with implementing Dynamic Schedules and Psuedo-Ties under the specific commercial and contractual arrangements outlined in North American Electric Reliability Council (“NERC”) Policy 1. Additional business practices may be developed in future versions of this standard that would more completely define the commercial requirements associated with implementing dynamic transfers. The actual application of the ACE equation and all associated rules governing system control are established in appropriate NERC Reliability Standards and is not within the scope of this standard.

⁴ The Coordinate Interchange, ACE Equation Special Cases, Manual Time Error Correction, and Inadvertent Interchange Payback standards were adopted by the NAESB WEQ EC on November 30, 2004. The standards are the result of a coordinated effort between NAESB and NERC to identify the commercial aspects of the current NERC Operating Policies, and have been referred to as NAESB WEQ “Version 0” Standards.

⁵ Standards of Conduct for Transmission Providers, Order No. 2004, 68 FR 69134 (Dec. 11, 2003), III FERC Stats. & Regs. Regulations Preambles ¶ 31,155 (Nov. 25, 2003); Order No. 2004-A, 69 FR 23562 (Apr. 29, 2004), III FERC Stats. & Regs. Regulations Preambles ¶ 31,161 (Apr. 16, 2004); Order No. 2004-B, 69 FR 48371 (Aug. 10, 2004) III FERC Stats. & Regs. Regulations and Preambles ¶ 31,166 (Aug. 2, 2004) (collectively, “Standards of Conduct” or “FERC Order No. 2004”).

⁶ The Funds Transfer Agent Agreement can be found on the NAESB web site at: http://www.naesb.org/protected/fa_weq_2003ap5f_ftaa.doc.

During that time fifty-seven meetings were held at the subcommittee level to draft the standards. In addition, countless hours were spent by meeting participants preparing work papers for the meetings, and reviewing the work papers that would be discussed.

II. HISTORICAL PERSPECTIVE ON THE FORMATION OF NAESB AND THE WEQ

This section addresses the formation of NAESB, the formation of the WEQ, and the consensus-based standards development process used by the WEQ.

A. Formation of the North American Energy Standards Board and the Wholesale Electric Quadrant

NAESB is a non-profit, industry-driven organization that was established in January 2002 to propose and adopt voluntary standards and model business practices designed to promote more competitive and efficient natural gas and electric service, as such standards apply to electronic data interchange (“EDI”) record formats and communications protocols and related business practices that streamline the transactional processes of the natural gas and electric industries⁹. NAESB supports all four quadrants of the gas and electric industries—wholesale gas, wholesale electricity, retail gas, and retail electricity—and recognizes the ongoing convergence of the gas and electric businesses by ensuring that its standards receive the input of all industry quadrants when appropriate.

NAESB is the successor to the Gas Industry Standards Board (“GISB”)¹⁰. GISB, which was carefully structured to ensure that all segments of the wholesale gas industry have an equal voice, was incorporated in September 1994 to develop standards for the wholesale natural gas industry. In early 1995, GISB became an accredited member of the American National Standards

⁷ A roster of WEQ members is provided in Appendix V to this filing.

⁸ Participation in NAESB subcommittees is not limited by NAESB membership status.

⁹ Amended and Restated Certificate of Incorporation of the North American Energy Standards Board, Inc., Article II, Section 1, p. 2.

¹⁰ When NAESB was established in January 2002, GISB became the wholesale gas quadrant of the new organization and went out of existence as a separate entity.

Institute (“ANSI”)¹¹, largely in part because of its balanced voting structure and focus on consensus. In October 1995, the GISB Board of Directors approved broadening GISB’s scope beyond electronic data interchange record formats and communications protocols to include related business practices that streamline the transactional processes of the gas industry. Immediately after the change in scope GISB began working on standards that would be reported to the Commission in March 1996¹². GISB, and its successor the NAESB Wholesale Gas Quadrant (“WGQ”), has made successive filings of new and/or modified standards as the needs of the Commission and the industry have changed¹³.

NAESB was incorporated in January 2002. Shortly following, NAESB was reaccredited by ANSI as a standards development organization¹⁴. Consistent with its role of supporting all four quadrants of the gas and electric industries, NAESB is organized into four quadrants—WGQ, WEQ, Retail Gas Quadrant, and Retail Electric Quadrant -with industry segment membership in each of the quadrants being defined by each quadrant’s procedures. The NAESB WEQ is composed of the following five segments which represent the different business interests in the wholesale electric market: transmission, generation, marketer/brokers, distribution/load serving entities, and end users. Each of the segments is further defined through sub-segments which represent business interests on a more granular level¹⁵. All participants in the wholesale electric market are able to join NAESB, belong to one or more segments and sub-segments, and be afforded the full benefits of membership.

¹¹ ANSI is the national coordinating institution for voluntary standards. Under its by-laws, ANSI cooperates with Federal agencies in achieving optimum compatibility between government laws and regulations and the voluntary standards of industry and commerce. Members’ ANSI standards are adopted pursuant to procedures employing public comment, protection of due process and a requirement for consensus. On October 3, 2001 GISB became an ANSI Accredited Standards Development Organization.

¹² Comments of the Gas Industry Standards Board, filed in Docket No. RM96-1-000, March 15, 1996.

¹³ NAESB filed Version 1.7 of the WGQ standards with the Commission on April 14, 2004.

¹⁴ Reaccreditation as an ANSI standards development organization was necessary due to GISB’s transition into NAESB. NAESB’s reaccreditation became effective October 8, 2002.

¹⁵ WEQ sub-segments are defined in the WEQ Procedures, pp. 2-3. All NAESB Governance Documents can be downloaded from the NAESB web site at <http://www.naesb.org/materials/gov.asp>.

Although NAESB is an organization that is separate and distinct from its predecessor organization, NAESB maintained the core aspects of GISB, including the principles that guided the organization through its eight years of existence and the standards development process that was refined by the organization and used to develop the substantial body of wholesale gas standards that the Commission has incorporated by reference in other proceedings. The following principles guide the activities of NAESB, and each of its quadrants:

Independence. NAESB is an independent body. While it may have informal liaisons with trade associations, other standards organizations, and government agencies, it is a separately incorporated, fully independent organization.

Openness. NAESB conducts its activities in the open. Openness applies to all aspects of its governance, elections, and standards development procedures, including work products and related meetings. Meetings, agendas, and items set for discussion and/or vote are publicly noticed, and interested parties, regardless of whether they are NAESB members, have the opportunity to participate.

Voluntary. Participation in NAESB is voluntary and adherence to its standards, from NAESB's perspective, is also voluntary. Membership in NAESB is not dependent on whether a company implements NAESB standards, and NAESB does not have an enforcement mechanism.

Balance of Interests. Voting with respect to governance, standards, and operating procedures provides for balance among industry quadrants and segments so that no interest group or groups have undue influence over any decision.

Inclusivity. All interested parties have the opportunity to participate in and join NAESB. All participants should be associated with a segment and quadrant.

Consensus-Based Decisions. NAESB's voting rules encourage consensus-based decisions. In addition, requirements that standards need supermajorities and minimum

votes per segment in order to be passed ensure that quadrant and segment interests are protected.

No Advocacy. NAESB does not take advocacy positions on its standards as a party to any proceeding before a government agency. NAESB's duly authorized representatives, however, are not precluded from communicating with or educating anyone about NAESB's procedures and/or work products.

Industry Driven. NAESB is industry driven. Standards may be proposed by any interested party. Staff members have neither a vote nor a role with respect to conducting NAESB affairs other than to perform administrative functions.

Develop Practices, Not Policy. NAESB's committees, subcommittees, and task forces avoid creating policy in their standards development activities absent a request by the Board.

Incorporate Best Practices. To the extent reasonable, NAESB standards reflect the best practices among existing and reasonably anticipated policies and procedures.

Broad Applicability. Standards are structured, to the extent reasonable, to be applicable to both the electric and the natural gas industries, and the industries work together to develop joint standards where appropriate. However, where operating requirements dictate the need for different approaches, standards are established separately by quadrant(s).

ANSI Accreditation. NAESB is an accredited ANSI Standards Development Organization.

By adhering to the principles stated above, NAESB provides a forum for the development of voluntary standards and model business practices designed to promote more competitive and efficient electric service. Further, NAESB's adherence to the principles ensure that all North American market participants of the wholesale and retail gas and electric markets have the opportunity to join in the development of the standards.

NAESB is governed by its Board of Directors (“Board”) and officers. The Board meets en banc throughout the year; and the quadrants do not operate separately at the Board level. It determines and approves the annual budget of NAESB and its quadrants, sets the overall strategic direction of the organization, approves each quadrant’s annual plan for standards development and maintenance, and determines all governance issues. Currently, the Board has a maximum of ninety-five members. The WEQ is represented by six members from each of its segments on the NAESB Board¹⁶. Each quadrant represented on the Board has 25 percent of the decision-making authority, regardless of the actual number of Board members that represent the quadrant.

The EC has responsibility for implementing the NAESB annual plan; directing standards development and maintenance efforts and voting on standards development and maintenance; and directing standards interpretation efforts and voting on such interpretations. Like the Board, the EC currently has a maximum of ninety-five members and includes six members from each of the five segments of the WEQ¹⁷. Decisions by the EC may be by quadrant if it is determined that the recommended standard applies to a specific quadrant or quadrants rather than the organization as a whole. Each quadrant represented on the EC has 25 percent of the decision-making authority, regardless of the actual number of EC members that represent the quadrant.

NAESB also realizes its responsibility to coordinate with other energy and standards organizations. In that light, after the WEQ was formed NAESB entered into a Memorandum of Understanding with NERC on November 30, 2002, and subsequent Memorandum of Understanding, with NERC and the ISO-RTO Council (“IRC”) on May 15, 2003 (“MOU”)¹⁸. The current MOU, which superseded the November 2002 Memorandum of Understanding, describes how NERC, NAESB, and the IRC coordinate standards development and coordinate strategic plans for standards development. This coordination process is accomplished primarily through the Joint Interface Committee (“JIC”), a structure formed by the MOU. In addition,

¹⁶ A roster of WEQ Board members is provided in Appendix V to this filing.

¹⁷ A roster of WEQ EC members is provided in Appendix V to this filing.

¹⁸ The May 15, 2003, MOU can be accessed at http://www.naesb.org/memorandum_of_understanding.pdf.

NAESB actively coordinates its work efforts with the major wholesale electric industry trade organizations.

B. Standards Development Process

The NAESB standards development process¹⁹ is well-established and robust. The standards development process recognizes the principles discussed above and provides the ability for NAESB to serve as a forum for the development of consensus-based standards. The same standards development process is used by all of the NAESB quadrants, except that all requests for standards that affect the WEQ must be submitted to the JIC, a group consisting of members from NAESB, NERC and the IRC. The NAESB WEQ standards development process is briefly discussed below.

Upon receipt of a request for standard, the NAESB Triage Subcommittee meeting is conducted to determine whether the request is within the scope of the organization; if so, which quadrant(s) should work on the request, and further which subcommittees within that quadrant should develop the standard(s). Then the JIC further evaluates whether the request should be developed by NAESB or NERC, with business practice related requests being assigned to NAESB and reliability related requests being assigned to NERC. Assuming the JIC assigns the request to NAESB for development, the WEQ EC will affirm the Triage Subcommittee recommendation and work will begin at the subcommittee level. All JIC meetings are open to any interested party and are transcribed.²⁰

Full participation, including voting rights, is open to any interested party in all EC subcommittees, and participation is available for all meetings through teleconferencing and/or web-conferencing. Additionally, in-person subcommittee meetings are held at geographically diverse locations. EC subcommittees use balanced voting for non-administrative motions. Balanced voting procedures provide that each segment of a quadrant holds two votes to be

¹⁹ NAESB's standards development process is patterned after the GISB procedures.

²⁰ To order the transcripts from JIC meetings, please contact the NAESB office.

apportioned equally to those participants of the segment present at the meeting either in person or by phone, with no individual having more than one vote²¹. The effect of balanced voting is that the interests of each industry segment participating at the meeting are represented without regard to number of segment participants in attendance. After the subcommittee completes its work on the standard, it prepares a recommendation for consideration by the EC. Prior to the EC's review of the recommendation, the recommendation is posted for industry comment²² for a minimum of thirty days. However, the drafting subcommittee may choose to hold multiple comment periods prior to completion of the recommendation.

During the EC's review of the recommendation, the EC processes the industry comments, makes any changes it deems necessary, and takes a vote. A recommendation must pass the EC of each applicable quadrant by a super-majority vote - an affirmative vote of at least 67 percent from each applicable quadrant EC and 40 percent from each of the segments of that quadrant. After passage by the EC, the recommendation is posted for ratification for thirty days and must receive an affirmative vote of 67 percent of the members of the applicable quadrant.

III. RESPONSIVENESS OF THE FILING, SIGNIFICANCE OF THE FILING, AND AVAILABILITY OF THE STANDARDS

This section addresses the responsiveness and significance of this filing and the availability of NAESB's WEQ standards.

A. Responsiveness of the Filing

The business practices standards included in this filing meet the goals of the industry. The standards are divided into three parts: (1) business practices that complement NERC reliability standards referenced in many internal documents as "Version 0;" (2) business practices

²¹ Balanced voting procedures, including examples of how the procedures are applied, are discussed in the NAESB Operating Practices at p. 13. All NAESB Governance Documents can be downloaded from the NAESB web site at <http://www.naesb.org/materials/gov.asp>.

²² Comments on recommendations are welcomed from an interested industry participant, regardless of NAESB membership status.

and communication protocols that reflect functions addressed in OASIS; and (3) business practices related to standards of conduct.

Implementation of the “Version 0” business practices standards will create:

- Business practices that support NERC’s reliability standards and functional model terminology reflective of today’s implementation. As noted in the NERC Standards Authorization Request (“SAR”) for Version 0 Reliability Standards, an April 14, 2004 Order of the Commission states a policy objective addressing “...the need to expeditiously modify [NERC] reliability standards in order to make these standards clear and enforceable.”²³
- Business practices that serve as a baseline set of measurable and unambiguous standards.

The “Version 0” business practice standards reflect sections of NERC’s existing operating policies and planning standards that were identified through NAESB/NERC coordinated meetings as containing business practices suitable for incorporation as NAESB business practice standards. These complementary business practice standards are supportive of the operation of NERC’s Version 0 reliability standards. The collaborative effort with NERC to prepare a “Version 0” foundation of business practices will serve as a cornerstone for future NAESB business practice standards development. These business practice standards have been reviewed by industry participants in the NAESB subcommittee process, the NAESB WEQ EC, and the NAESB WEQ membership during the ratification process. These business practice standards were also reviewed by the NERC Version 0 standards drafting team, the NERC standing committees, and major trade associations.

In addition, the OASIS standards contained in this filing respond to the implementation of the Commission’s policy related to on-line price negotiation and the improvement of the commercial operation of OASIS.

²³ The NERC Version 0 Reliability Standards SAR can be downloaded from the NERC web site at: http://www.nerc.com/pub/sys/all_updl/standards/sar/Version-0-SAR-0101.pdf.

Implementation of the OASIS standards and communications protocols will create:

- A body of business practices standards and communication protocol standards that the industry can use as a foundation when addressing emerging business issues.²⁴
- Business practices standards and communication protocols that provide for consistent implementation across OASIS sites. (FERC Order Nos. 605, 888, 889)²⁵
- Business practices and communication protocols to reflect modifications to the Commission's baseline standards to accommodate new market operations.²⁶
- Business practices standards and communication protocols that will assist the wholesale electric industry in the compliance with OASIS postings required under FERC Order No. 2003 (Standardization of Generator Interconnection Agreements and Procedures).²⁷

Finally, the business practices for standards of conduct contained in this filing respond to the implementation of the Commission's policy related to its FERC Order No. 2004, 2004-A, and 2004-B.²⁸

B. Significance of the Filing

The filing is significant in a number of respects:

- NAESB's role in adopting the business practice standards for "Version 0" and standards of conduct, and the OASIS standards and protocols is consistent with public policy developments favoring public-private partnerships in the standards-setting arena, is fully consistent with regulatory agencies' maintenance of jurisdictional responsibilities, and aids Federal and State regulators in carrying out their statutory missions;

²⁴ See *supra* Sections V.A.1 and V.A.2.a.

²⁵ See *supra* Sections V.A.1 and V.A.2.a.

²⁶ See *supra* Section V.A.2.

²⁷ See *supra* Sections V.A.2.d.

²⁸ See *supra* Section V.B.

- The business practices standards for “Version 0” and standards of conduct, and OASIS standards and protocols are industry-wide in scope: all segments of the wholesale electric industry can benefit from these standardized and streamlined business practice standards and communication protocols, and non-jurisdictional entities may choose to adjust their operations to take advantage of these improvements.
- The business practices standards for “Version 0” and standards of conduct, and OASIS standards and communication protocols are written whereby industry participants may choose to exceed (if they are not doing so already) through provision of value-added services and customized arrangements; and
- The business practices for “Version 0” and standards of conduct, and OASIS standards and protocols have been adopted in the realization that as the industry evolves, and uses the standards and protocols, additional and amended NAESB standards and protocols are potentially necessary.

C. Availability of the Standards

NAESB standards can be accessed in a number of ways. The standards are available for download in the protected area of the NAESB web site free of charge or can be purchased in electronic format from the NAESB Office²⁹. Access to the protected area of the NAESB web site is free to all current NAESB members as a benefit of NAESB membership, and non-members can register for home page access for \$3500 per year³⁰. The Commission has previously recognized that, “[I]t is common practice for standards organizations to charge for copies of their standards in order to defray the publishing costs as well as some of the administrative, legal, and other costs of

²⁹ The standards may be downloaded from the NAESB web site at no cost for members and non-members who may choose to purchase Home Page Access. For members who choose not to download, the purchase price for WEQ standards is \$50 (\$100 for non-members). To purchase the WEQ standards, please complete the NAESB Materials Order form, which can be downloaded from the NAESB web site at <http://www.naesb.org/pdf/ordrform.pdf>.

³⁰ Regardless of membership status, persons wanting access to the protected areas of the NAESB web site should complete the NAESB Home Page Access Form, <http://www.naesb.org/pdf/Homepage.pdf>.

developing the standards.”³¹ In addition to the standards themselves, all agendas, working papers, and subcommittee meeting minutes are publicly accessible on the NAESB web site³² free of charge.

IV. INDUSTRY INITIATIVES THAT HAVE PROMPTED NAESB’S ADOPTION OF THE STANDARDS

The adoption of WEQ standards that address OASIS, Standards of Conduct, and the “Version 0” set of standards including Coordinate Interchange, ACE Equation Special Cases, Manual Time Error Correction, and Inadvertent Interchange Payback have been prompted by industry initiatives.

A. Industry Initiatives

The NAESB standards development process is governed by the annual plan prepared by each quadrant’s EC and approved by the Board of Directors. The plan typically reflects requests from NAESB members, government agencies, and other interested parties. Membership in NAESB is not a requirement for the submission of a request for standards, nor for participation or voting in the subcommittees where the standards are drafted. The WEQ standards referenced in this report stem from work completed on the following standards requests, each of which is included in Appendix I:

R04005: Southern Company Services proposed the WEQ’s acceptance of the current OASIS Business Practice Standards and S&CP, as currently reflected in the Code of Federal Regulations (“CFR”) implementing the Commission’s policy related to on-line price negotiation and to improve the commercial operation of OASIS. ³³

³¹ Standards for Business Practices of Interstate Natural Gas Pipelines, FERC Order No. 587-A, Docket RM96-1-001, issued October 21, 1996, 77 FERC ¶61,061 at p. 22. For additional information on why standards development organizations charge for standards, please see “Why Charge for Standards?” on the ANSI web site (http://www.ansi.org/help/charge_standards.aspx?menuid=help).

³² <http://www.naesb.org>

³³ Open Access Same-Time Information System, Order No. 605, Docket No. RM98-3-000, 87 FERC ¶61,224 (May 27, 1999) (“FERC Order No. 605”); Open Access Same-Time Information System and Standards of Conduct, Order No. 638, Docket No. RM95-9 et al 90 FERC ¶61,202 (Feb. 25, 2000) (“FERC

R04006: Southern Company Services proposed the WEQ’s acceptance of the WEQ Information Technology Subcommittee’s (“ITS”) recommended actions on the OASIS “1A” issues that were identified prior to the dissolution of the OASIS Scheduling Collaborative. The specification/business practice issues represent enhancements or development of new standards that would modify the OASIS standards. The ITS identified five areas where standards should be developed, including: (1) redirect of transmission service; (2) recalls of transmission service; (3) multiple submissions of identical transmission requests/queuing issues; (4) standardized process for Network Integration Transmission Service (“NITS”) on OASIS; and (5) naming standardization. Modifications to the Standards of Conduct were also completed pursuant to this request³⁴.

R04011: Bonneville Power Administration and PacifiCorp proposed the establishment of a task force to review and investigate possible standards creation associated with OASIS posting requirements under FERC Order No. 2003 (Large Generation Interconnection Order). Standards created under this request will assist the wholesale electric industry in compliance with OASIS postings required under FERC Order No. 2003 and provide consistent implementation across OASIS sites.

R04013: The WEQ Business Practices Subcommittee (“BPS”) proposed the adoption of business practice standards that support NERC’s existing reliability operating policies and functional model terminology. This request is a companion request to the NERC SAR for Version 0 Reliability Standards, since NERC’s reliability policies have essential business practice elements that integrally support the reliability standards. The request proposes translating the business practice elements of the NERC Board of Trustee-approved operating policies and planning standards, the 38 compliance templates

Order No. 638); Open Access Same-Time Information System and Standards of Conduct, Order No. 889 FERC Stats. & Regs. ¶ 31,035 at 31,588-91 (1996), order on reh’g, Order No. 889-A, FERC Stats. & Regs. ¶ 31,049 at 30,549 (1997), order on reh’g, Order No. 889-B, 81 FERC ¶ 61,253 (1997) (“FERC Order No. 889”) (collectively, “FERC Order Nos. 605, 638, and 889”).

³⁴ FERC Order No. 2004.

approved by the NERC Board on April 2, 2004, and all approved revisions to NERC Operating Policies 5, 6, and 9 balloted in April 2004, into an initial baseline (Version 0) set of NAESB business practice standards.

V. THE PROCESS USED TO ADOPT THE STANDARDS

The process described in Section IV, B of this filing was employed in the development of the OASIS, Standards of Conduct, and “Version 0” set of standards including Coordinate Interchange, ACE Equation Special Cases, Manual Time Error Correction, and Inadvertent Interchange Payback business practice standards, as shown following.

A. Open Access Same-Time Information Systems (OASIS) Business Practice Standards and Communication Protocol Standards

1. Adoption of OASIS Baseline Standards

The Commission adopted business practice standards and communication protocol standards to improve the operation of OASIS in FERC Order Nos. 605, 638 and 889³⁵. In December 2003, the WEQ Electronic Scheduling Subcommittee (“ESS”) began working on Request No. R04005 to adopt the Commission’s OASIS business practice standards and S&CP as NAESB baseline OASIS standards.

The following documents were used to develop the OASIS baseline standards:

- Federal Energy Regulatory Commission Business Practice Standards for Open Access Same-Time Information System (OASIS) Transactions, Version 1.2, issued October 25, 2000
- Standards and Communication Protocols for Open Access Same-Time Information System (OASIS), Version 1.4, July 26, 2000
- Data Dictionary, Standards and Communication Protocols for Open Access Same-Time Information System (OASIS), Version 1.4, July 26, 2000

³⁵ See supra note 34.

- Revisions to Section 4.2.10.2 of the S&CP Document, 4.2.10.2, Status Values
- OASIS Version 1.4 corrections, outlined in a letter dated January 30, 2001, from Paul R. Sorenson, OSC Chair, to David P. Borgers, Office of the Secretary, Federal Energy Regulatory Commission
- FERC Order No. 605
- FERC Order No. 889
- FERC Order No. 889 Appendix A Data Element Dictionary
- FERC Order No. 889 Appendix B Request (Query) Variables

The ESS unanimously supported the recommended standards in early January 2004, and the proposed standards were posted for the 30-day industry comment period³⁶ prior to the WEQ EC's consideration at the February 2004 EC meeting. The ESS reviewed the comments but did not make any substantive changes to the proposed standards because the comments generally discussed process issues or proposed modifications to the standards. The ESS did not determine it was appropriate to make changes to the proposed standards since the intention of the request was to adopt current rules being followed by FERC-jurisdictional entities as NAESB standards. However, the ESS did modify the original recommendation prior to the EC's consideration to correct a typographical error and remove duplicate language within the attachments. The WEQ EC unanimously adopted the standards on February 24, 2004, and the WEQ general membership ratified the standards on April 7, 2004³⁷. Adoption of the OASIS standards provides a baseline so that enhancements to the standards could be made to address current business needs. The OASIS baseline standards include three separate documents that together represent the standards: (1) Business Practice Standards for OASIS; (2) Standards and Communications Protocols for OASIS; and (3) Data Element Dictionary for OASIS.

³⁶ Comments were received from Entergy Services, Inc. and Midwest ISO.

³⁷ These standards were supported by 87.18% of the WEQ membership. Detailed ratification results are provided in Appendix IV to this filing.

2. Modification of the OASIS Baseline Standards

Upon adoption of the OASIS baseline standards by the EC, the ESS and ITS began working on enhancements to the standards pursuant to Request No. R04006. While working on the OASIS enhancements, the ESS and ITS discovered several maintenance items that should be addressed. In addition to adopting the maintenance modifications, the EC has adopted standards that address: redirect of transmission service; multiple submissions of identical transmission requests/queuing issues; and OASIS posting requirements under FERC Order No. 2003³⁸.

a. OASIS Baseline Maintenance

In addition to discovering a few inadvertent omissions in the development of the OASIS baseline standards, the ESS and ITS collectively determined that the format, organization, and clarity of the OASIS standards could be substantially improved. Therefore, the ESS and ITS developed the following modifications to the OASIS baseline standards:

- new Standard 1, Provision of Open Access Transmission Service;
- consolidation of Standards 8-21, with exceptions for Standards 15-16, as subsections 1.1-1.8 of Standard 1;
- deletion of Standards 15 and 16, but retention of the information as introductory material for Standard 1;
- deletion of Standard 22 as not applicable;
- modification of external references, where appropriate, to be internal references (e.g., references to “Section 37” changed to “Standard 1”);
- minor, non material reformatting;
- modification of portions of Standards 1.1-1.7 to reflect the standards as contained in the current CFR, as consistent with the intention of Request No. R04005;

³⁸ OASIS baseline enhancements and the standards of conduct were discussed at thirty-seven EC subcommittee meetings.

- deletion of Standard 1.4, Standards of Conduct³⁹.

The modifications to the OASIS baseline standards, including the formatting changes, provide clarity to the OASIS requirements. Additionally, the modifications clarify external references and remove provisions that are either no longer applicable or were more appropriately classified as introductory text than standards requirements. Finally, the revisions update the OASIS baseline standards to the current standards approved by the Commission, as was the intent of the original request.

The ESS and ITS unanimously supported the recommended modifications to the OASIS baseline standards on July 28, 2004, and the proposed standards were posted for the 30-day industry comment period, with comments⁴⁰ due on September 20, 2004, prior to the WEQ EC's consideration at the November 2004 EC meeting. The ESS and ITS reviewed the comments but suggested the issues raised by the comments be addressed through a separate maintenance request since they relate to items such as definitions and nomenclature. The WEQ EC considered the comments at the November 2004 EC meeting and made no changes to the proposed standards. The WEQ EC unanimously adopted the standards as proposed on November 16, 2004 and directed the ESS and ITS to consider the comments received during the public comment period as a maintenance item for the next revision of this standard. The WEQ general membership ratified the standards on December 30, 2004⁴¹.

³⁹ An independent Standards of Conduct was simultaneously considered and approved by the WEQ EC on November 16, 2004. Details on the Standard of Conduct can be found in Section V, B of this filing, p. 22.

⁴⁰ Comments were submitted by Entergy Services Inc., Hydro-Quebec Transenergie, and We Energies.

⁴¹ These standards were supported unanimously by the WEQ membership. Detailed ratification results are provided in Appendix IV to this filing.

b. Multiple Submissions of Identical Transmission Requests/Queuing
Issues

In accordance with Request No. R04006, the ESS and ITS developed the following modifications to the OASIS baseline standards to implement new standards for dealing with multiple submissions of identical transmission requests and certain reservation queuing issues:

- new definitions for Denial of Service; Identical Service Requests; Queue Flooding; Queue Hoarding;
- new standard 8, Requirements for dealing with multiple, identical transmission service requests;
- new Appendix – Standard 8 Examples.

The proposed standards provide a mechanism by which transmission providers can mitigate problems associated with denial of service attacks or grossly inefficient use of OASIS. The particular cases addressed by this standard are denial of service, queue flooding, and queue hoarding. As part of this request, the ESS and ITS also modified OASIS Standard 1.3, which previously contained OASIS definitions. The definitions previously contained in OASIS Standard 1.3 were removed and all definitions, including the new definitions above, were organized into a new section that precedes OASIS Standard 1.

During the subcommittees' deliberations, the proposed standards were posted for informal industry comment on September 3, 2004, with comments due on September 23, 2004⁴². The ESS and ITS supported the recommended modifications to the OASIS baseline standards on September 30, 2004, and the proposed standards were posted for the 30-day industry comment period, with comments⁴³ due on November 7, 2004, prior to the WEQ EC's consideration at the November 2004 EC meeting. During the EC's deliberations on the proposed standards, the

⁴² The ESS and ITS use email exploders in their standards development process. Use of email exploders has the effect of a continual informal comment period throughout the standards development process.

⁴³ Comments were submitted by First Energy, Hydro-Quebec Transenergie, and Southern Company's Bulk Power Operations.

comments were categorized as (a) issues that have already been discussed at length and disposed of in the subcommittee, (b) commenter's preference of wording, and (c) suggested enhancements. The WEQ EC considered the comments at the November 2004 EC meeting and made no changes to the proposed standards. The WEQ EC unanimously adopted the standards as proposed on November 16, 2004 and directed the ESS and ITS to consider the comments received during the public comment period as a maintenance item for the next revision of this standard. The WEQ general membership ratified the standards on December 30, 2004⁴⁴.

c. Redirect of Transmission Service

In accordance with Request No. R04006, the ESS and ITS developed the following modifications to the OASIS baseline standards to implement new standards for requests to redirect transmission service:

- definitions for (1) Capacity Available to Redirect and (2) Parent Reservation;
- new standard 9, Requirements for dealing with Redirects on a Firm basis;
- new standard 10, Requirements for dealing with Redirects on a Non-Firm basis;
- new Appendix B – Redirect Standards Examples.

The proposed standards clarify OASIS S&CP Section 4.2.13.9 to explicitly require that all requests for redirected transmission service must be submitted to the primary transmission provider for evaluation and approval. The recommended standards also address the settlement issue in the event that redirected service would increase or decrease the charges due to the transmission provider. These business practices address the provisions of Section 22 in the FERC Pro Forma Open Access Transmission Tariff related to the modification of points of receipt and/or delivery for firm point-to-point transmission service.

⁴⁴ These standards were supported unanimously by the WEQ membership. Detailed ratification results are provided in Appendix IV to this filing.

During the subcommittees' deliberations, the proposed standards were posted for informal industry comment on September 3, 2004 with comments due on September 23, 2004⁴⁵. The ESS and ITS unanimously supported the recommended modifications to the OASIS baseline standards on October 8, 2004, and the proposed standards were posted for the 30-day industry comment period, with comments⁴⁶ due on November 12, 2004, prior to the WEQ EC's consideration at the November 2004 EC meeting. During the EC's deliberations on the proposed standards, the comments were categorized as (a) issues that have already been discussed at length and disposed of in the subcommittee, (b) commenter's preference of wording, and (c) suggested enhancements. The WEQ EC considered the comments at the November 2004 EC meeting and made no changes to the proposed standards. The WEQ EC unanimously adopted the standards as proposed on November 16, 2004 and directed the ESS and ITS to consider the comments received during the public comment period as a maintenance item for the next revision of this standard. The WEQ general membership ratified the standards on December 30, 2004⁴⁷.

d. OASIS posting requirements under FERC Order No. 2003

In accordance with Request No. R04011, the ESS and ITS developed the following modifications to the OASIS baseline standards:

- modification of OASIS S&CP Section 4.5, Information Supported by Web Page.

Request No. R04011 requested the development of business practice standards to support FERC Order No. 2003, (Large Generation Interconnection Order). During deliberations, the ESS and ITS determined that a large number of transmission providers were already meeting the requirements of this Order by placing a link to the appropriate information on the OASIS general information page (INFO.HTM). As such, the ESS and ITS determined that the general information page was, in fact, the appropriate place to post information related to generator

⁴⁵ See *supra* note 45 for a discussion on the use of email exploders in the standards development process.

⁴⁶ Comments were submitted by Puget Sound Energy Marketing, First Energy, Southern Company's Bulk Power Operations, and We Energies.

⁴⁷ These standards were supported unanimously by the WEQ membership. Detailed ratification results are provided in Appendix IV to this filing.

interconnection. Furthermore, the ESS and ITS determined that, unless otherwise specified in the S&CP, the general information page should be the location where most general information should be accessed. Therefore, the proposed standards not only provide a location for the posting of generator interconnection information as required by FERC Order No. 2003⁴⁸, but also provide a default location for all subsequent informational posting requirements that are not specifically provided for within the S&CP.

The ESS and ITS unanimously supported the recommended modifications to the OASIS baseline standards on July 28, 2004, and the proposed standards were posted for the 30-day industry comment period⁴⁹, with comments⁵⁰ due on September 20, 2004, prior to the WEQ EC's consideration at the November 2004 EC meeting. The comments were discussed during the EC's deliberations on the proposed standard, but no changes were made because the comments addressed general issues on definitions and were not specific to the proposed standard. The WEQ EC unanimously adopted the standards as proposed on November 16, 2004. The WEQ general membership ratified the standards on December 30, 2004⁵¹.

B. Standards of Conduct

The Standards of Conduct language originally contained in FERC Order No. 889, and subsequent rehearing orders, was initially passed as Standard 1.4 of the OASIS Business Practices. With the issuance of FERC Order Nos. 2004, 2004-A and 2004-B⁵², the ESS and ITS determined that a stand-alone Standards of Conduct business practice would be appropriate. Therefore, the ESS and ITS deleted the original Standards of Conduct requirements contained in OASIS Standard 1.4 and developed new standards to implement the Standards of Conduct requirements detailed in FERC Order Nos. 2004, 2004 A, and 2004 B as they apply to wholesale

⁴⁸ See *supra* note 2.

⁴⁹ See *supra* note 45 for a discussion on the use of email exploders in the standards development process.

⁵⁰ Comments were submitted by We Energies.

⁵¹ These standards were supported unanimously by the WEQ membership. Detailed ratification results are provided in Appendix IV to this filing.

⁵² See *supra* note 5.

electric entities. The ESS and ITS supported the recommended modifications to the Standards of Conduct on August 17, 2004, and the proposed standards were posted for the 30-day industry comment period⁵³, with comments⁵⁴ due on September 20, 2004, prior to the WEQ EC's consideration at the November 2004 EC meeting. The ESS and ITS held a conference call to discuss comments that suggested the recommendation did not accurately reflect language contained in FERC Order Nos. 2004, 2004-A, and 2004-B, and a revised recommendation was prepared that includes the inadvertently omitted language. During its deliberations on the revised recommendation, the EC determined that the comments that related to items such as definitions and nomenclature should be addressed through a separate maintenance request. The comments submitted by Southern Company were discussed and determined not to be of a maintenance nature, nor were they determined in discussion to be included in this recommendation, nor in the request to follow for maintenance items. No changes were made to the revised recommendation during the WEQ EC's consideration of the recommendation. The WEQ EC adopted the standards as proposed in the revised recommendation on November 16, 2004. The WEQ general membership ratified the standards on December 30, 2004⁵⁵.

C. "Version 0" Set of Standards on Area Control Error ("ACE") Equation [Special Cases], Manual Time Error Correction, Inadvertent Interchange Payback, and Coordinate Interchange

1. Preparation of initial draft of NAESB "Version 0" Business Practices

The process of transitioning original NERC operating policies to NAESB business practices began in early May 2004. Forty-one industry participants, including several

⁵³ See *supra* note 45 for a discussion on the use of email exploders in the standards development process.

⁵⁴ Comments were submitted by Hydro-Quebec Transenergie, Southern Company Services, Bonneville Power Administration, and We Energies.

⁵⁵ These standards were supported unanimously by the WEQ membership. Detailed ratification results are provided in Appendix IV to this filing.

representatives from NERC, attended the initial meeting of the WEQ BPS on May 11, 2004.⁵⁶ Coordination efforts and transition steps towards the division of NAESB business practices and NERC reliability standards were discussed. It was generally agreed that the drafting of the NAESB business practice standards should follow a parallel track to NERC's transition to Version 0 reliability standards.

Several subsequent meetings were held to initiate and draft the first version of the NAESB business practices.⁵⁷ These meetings were open to interested parties – members and non-members alike. The meetings were industry wide and facilitated by NAESB. Commission representatives and NERC representatives were present in person or by phone at several of the BPS meetings. The meetings promoted open discussion among industry participants concerning the nature of the business practices standards, their compatibility to the NERC reliability standards, and the appropriateness of the business practices becoming NAESB standards.

At these meetings, the NAESB BPS initiated its own parallel process of identifying which portions of NERC operating policies should become NAESB business practices. Participants were given assignments for the drafting of the NAESB business practices. Initial drafts were reviewed and revised and subsequently posted for the first of three thirty day comment periods on July 9, 2004, with comments due on August 9, 2004⁵⁸.

The BPS met in Houston, TX on August 10-11, 2004 to review the initial set of industry comments. After considering all comments submitted, the BPS discussed and revised the business practices based on the input of the industry. Additionally, the BPS provided a written

⁵⁶The BPS was assigned the task of developing business practice standards from original NERC operating policies by the NAESB Triage Subcommittee.

⁵⁷ Meetings held to initiate and prepare the first draft of the business practices include the following dates: June 2-3, 2004; June 17-18, 2004; June 29, 2004; and July 7-8, 2004.

⁵⁸ During the NAESB "Version 0" business practice standards development, the WEQ BPS and the NERC Version 0 standards drafting team were in continual consultation.

response to all submitted comments which can be viewed in the August 10-11, 2004 WEQ BPS minutes.⁵⁹

The NERC SAR to develop the Version 0 reliability standards and the NAESB Standards Request⁶⁰ to develop compatible business practices were reviewed by the JIC on July 16, 2004. The meeting resulted in a need for further clarification on the division of the NERC reliability standards and the NAESB business practices from original NERC operating policies. In response, a task force was formed comprised of the NERC Standing Committee and Version 0 drafting team leadership, and the NAESB WEQ Board, EC, and BPS leadership.

At the August 2-3, 2004 NERC/NAESB task force meeting, the members agreed to a division of the original NERC operating policies into NERC reliability standards and NAESB business practices. This agreed upon division was the joint NERC/NAESB recommendation presented to the JIC on August 16, 2004. Reasoning behind the division of the standards was explained to members of the JIC by representatives of both NAESB and NERC. The JIC voted unanimously to approve the NERC SAR and NAESB standards request for the development of NERC Version 0 reliability standards and NAESB business practices respectively as identified by the joint NERC/NAESB task force. Below are the highlights of the agreement:

- Recommended assignment of NERC operating policy appendix 1A sections B, C, and D (ACE Special Cases)

Proposed NERC standard – The NERC Version 0 Drafting Team has incorporated the control performance standards (“CPS1 and CPS 2”) into proposed standard 001. To make this standard complete, the drafting team incorporated the ACE equation, definitions to support the ACE equation, and specific reliability requirements from appendix 1A into the standard.

⁵⁹ The August 10-11, 2004 WEQ BPS minutes are located on the NAESB website at http://www.naesb.org/pdf/weq_bps081004fm.doc.

⁶⁰ NAESB Standards Request No. R04013.

Proposed NAESB standard – The proposed NAESB Version 0 business practice standard addresses treatment of special cases of the ACE equation in appendix 1A: section B – (pseudo-ties and dynamic schedules for jointly owned units); section C – supplemental regulation service; and section D – load or generation transfer by telemetry. Reliability requirements in the NERC standards will not be duplicated in the NAESB standard.

- Recommended assignment of NERC operating policy 1D and appendix 1D (Time Error Correction)

Proposed NERC standard – The NERC proposed reliability standard addresses four elements from policy 1D requirement 4: 1) the time monitor for an interconnection must be a reliability authority (“RA”); 2) any RA in the interconnection may halt a time error correction for reliability considerations (before or during the correction); 3) any balancing authority (“BA”) may request its RA to halt a time error correction for reliability considerations, and 4) establishing frequency offset at 0.02 Hz. This standard is derived from NERC operating policy 1D requirement 4.

Proposed NAESB standard – The NAESB proposed business practice standard is the time error correction procedure, exclusive of the reliability elements noted above. This standard incorporates NERC operating policy 1D (excluding requirement 4) and appendix 1D.

- Recommended assignment of NERC operating policy 1F (inadvertent interchange payback procedure)

Proposed NERC standard – The NERC Version 0 Drafting Team has developed a standard that includes the reliability requirements for inadvertent payback. This proposed standard excludes the inadvertent payback procedure (policy 1F requirement 5 and appendix 1F). The NERC standard retains the inadvertent accounting and metering requirements necessary for reliability. NERC will evaluate whether a distinct dispute resolution procedure should be retained for inadvertent interchange, or whether NERC’s

general dispute resolution procedure would be suitable, as suggested by the Version 0 Drafting Team. The Version 0 Drafting Team will be requested to review whether it should incorporate appendix 1F section C – On Peak and Off Peak Periods – into the NERC standard.

Proposed NAESB standard – The NAESB proposed business practice standard incorporates the inadvertent payback procedure in policy 1F and appendix 1F, with modifications to exclude reliability requirements noted above and addresses only the payback and business practice aspects. NAESB would incorporate any aspects of accounting or dispute resolution that it needs for the business practices purpose of payback. (In future standard development efforts (e.g. Version 1), NAESB may establish additional levels of inadvertent granularity that might be needed for business practice or payback purposes. NERC will work with NAESB to try to optimize the collection and distribution of that information.)

- Recommended assignment of NERC operating policy 3 and appendices 3A1, 3A2, 3A3, 3A4, and 3D

Proposed NERC standard – The NERC and NAESB drafting teams were able to divide operating policy 3 into reliability and business practice requirements. NERC has proposed four standards on interchange addressing requirements for: tagging interchange transactions; assessing interchange transactions, communicating and implementing tagged interchange transactions; and modifying tagged interchange transactions. The NERC standards incorporate the tag timing requirements in appendix 3A1. Omission of the tag data elements was an oversight and the drafting team will be requested to review appendix 3A4 to identify tag data elements needed for reliability and incorporate them into the next posting of the Version 0 reliability standards.

Proposed NAESB standard – The NAESB business practice standard is proposed to include the remaining portions of policy 3 addressing business practice issues and

appendices 3A2 – Tagging Across Interconnection Boundaries, and 3A3 – Electronic Tagging Service Performance Requirements and Failure Procedures. Any tag data requirements in appendices 3A1, 3A4, and 3D not considered by NERC to be reliability requirements may be incorporated by NAESB into a business practice⁶¹. If the comments indicate that the above five appendices (3A1, 3A2, 3A3, 3A4, and 3D) should remain with NERC, NAESB would be able to reference the appendices in their Version 0 Coordinate Interchange Business Practice⁶².

2. Refinement of the NAESB “Version 0” Business Practice Standards

Following the August 16, 2004 meeting of the JIC, the WEQ BPS began developing the second draft of the NAESB business practice standards during a series of meetings in August and early September 2004.⁶³ The second draft of the business practices was posted for industry comment on September 3, 2004, with comments due on October 4, 2004. A BPS meeting was held on October 12-13, 2004 in Washington, D.C. at the FERC offices to review the second round of industry comments and to prepare the third and final draft of the NAESB business practices. Responses were given by the BPS to all comments submitted in response to the second draft.⁶⁴

⁶¹ It was determined on August 10-11, 2004 at a meeting of the WEQ BPS (http://www.naesb.org/pdf/weq_bps081004fm.doc) that NAESB business practices for tag data requirements would be included in the NAESB “Version 0” set of business practices for appendix 3D. This decision was reaffirmed at the August 18-19, 2004 NERC Version 0 Standards Drafting Team meeting (<http://www.nerc.com/~filez/standards/Version-0-RF.html>). In addition, the following decisions were made at the August 18-19, 2004 NERC Version 0 Standards Drafting Team meeting: NERC would develop Version 0 reliability standards for appendix 3A1 and NAESB would reference them as needed in the NAESB “Version 0” Coordinate Interchange; NAESB would develop business practices for appendix 3A4.

⁶² It was determined at the August 18-19, 2004 NERC Version 0 Standards Drafting Team meeting (<http://www.nerc.com/~filez/standards/Version-0-RF.html>) that NAESB Coordinate Interchange business practices would reference appendix 3A1. NAESB did not reference appendices 3A2, 3A3, 3A4, and 3D because they are included in the NAESB “Version 0” Coordinate Interchange business practices.

⁶³ Meetings held to develop the second draft of the NAESB business practices include the following dates: August 17, 2004; August 31, 2004; and September 2, 2004.

⁶⁴ Responses by the WEQ BPS to the second round of industry comments are found in the October 12-13, 2004 BPS minutes, located on the NAESB website at http://www.naesb.org/pdf/weq_bps101204fm.doc.

During this meeting, the BPS drafted a letter recommending the business practices for adoption to the WEQ EC. In the letter, dated October 25, 2004⁶⁵, the BPS asked the WEQ EC to consider the charge of the BPS: to convert the business practices directly from NERC operating policies into NAESB business practices. Although changes were made to the formatting of the business practices and to change passive language to active, the BPS stayed true to the charge. The BPS also informed the WEQ EC that the business practices as written in the recommendation result in certain “discrepancies” concerning how organizations currently do business and several industry comments were submitted concerning such discrepancies. In the October 25, 2004 letter, the BPS explained that it was not within the BPS scope of authority under the current NAESB standards request to change the intent of the original NERC policy, but such modifications would be willingly considered under future requests and would be considered a high priority in the WEQ 2005 annual plan. At the end of the October 12-13, 2004 meeting, the BPS voted unanimously to send the final draft of the business practices on to the WEQ EC for review and adoption.

The business practices were posted for the third and final 30 day comment period on October 25, 2004. The BPS held a conference call meeting on November 29, 2004 to review the third and final round of industry comments. As stated above, after each of the three comment periods, the BPS carefully reviewed and considered every set of comments submitted. Responses were given by the BPS to each set of comments.⁶⁶ After each set of comments had been carefully reviewed, the business practices were revised as the BPS determined appropriate. The final set of

⁶⁵ The October 25, 2004 and November 29, 2004 letters from the BPS to the WEQ EC are found in the document “Document Incorporating WEQ BPS Responses to Final Industry Comments on Version 0, 11/29/04” located on the NAESB website at http://www.naesb.org/pdf/weq_ec113004w36.doc.

⁶⁶ Responses given by the BPS to the final round of submitted industry comments can be found in the November 29, 2004 WEQ BPS minutes, located on the NAESB website at http://www.naesb.org/pdf/weq_bps112904dm.doc.

industry comments were forwarded for consideration by the WEQ EC at the November 30, 2004 WEQ EC meeting.⁶⁷

The business practices standards included in this filing (ACE Equation [Special Cases], Manual Time Error Correction, Inadvertent Interchange Payback, and Coordinate Interchange) were considered by the WEQ EC on November 30, 2004⁶⁸. An additional letter⁶⁹, dated November 29, 2004, from the BPS to the WEQ EC was also forwarded for consideration at the November 30 WEQ EC meeting. The November 29, 2004 letter explained that the BPS was uncertain as to how to address regional variances that differed from the proposed business practices standards, some of which were obtained through NERC waivers. The BPS highlighted in the letter that the WEQ EC should decide how to handle the regional variances. Additionally, the BPS explained that a concerted effort had been made to keep NAESB definitions consistent with NERC definitions.

The third and final round of industry comments were prioritized for discussion at the WEQ EC November 30, 2004 meeting. Priority one issues included errors that required correction by the WEQ EC. All priority one changes recommended by the BPS were accepted and made by the WEQ EC. The priority one changes are listed below per standard.

- Coordinate Interchange Business Practice
 - References to NERC attachments were corrected and updated to the following:
 - NAESB Coordinate Interchange Business Practice requirement 1.3 was corrected to reference NERC attachment 2-INT-001-0 and;
 - NAESB Coordinate Interchange Business Practice requirements 7.1 and 8.1 were corrected to reference NERC attachment 1-INT-004-0.

⁶⁷ Final Comments submitted by NERC Resources Subcommittee, Salt River Project, California ISO, Mirant, Allegheny Power, Duke Energy, Entergy Services, ISO/RTO Council – SRC, and We Energies.

⁶⁸ For highlights of these business practices standards, please see Section IV B, page 28 of this document.

⁶⁹ The October 25, 2004 and November 29, 2004 letters from the BPS to the WEQ EC are found in the document “Document Incorporating WEQ BPS Responses to Final Industry Comments on Version 0, 11/29/04” located on the NAESB website at http://www.naesb.org/pdf/weq_ec113004w36.doc

- Mistakes in capitalization were corrected.
- Time Error Correction Business Practice
 - A definition for the term “WECCNet” was added to the standard.

Priority two issues were classified as comments that required discussion and WEQ EC decision and included those comments pertaining to definitions and regional differences. Priority two issues concerning definitions mainly consisted of comments relating to the consistency between NAESB and NERC definitions. Where inconsistent definitions were noted, definitions from the NERC glossary were used as replacements.⁷⁰ The WEQ EC noted that should other differences exist between NERC and NAESB definitions in the Coordinate Interchange standard, in future efforts these differences will be addressed through a joint NERC/NAESB glossary team.

Definitions revised by the WEQ EC included the following terms found in Coordinate Interchange Business Practice: load-serving entity, purchasing-selling entity, sink BA, and source BA.

Priority two issues also included comments pertaining to regional differences that differed from the business practice standards. The WEQ EC reviewed the regional differences and after discussion unanimously determined not to make changes to the business practice standards to specifically outline those differences. The reason for not making changes was the tenet that Version 0 business practices reflect exactly the business practices reflected in the NERC operating policies. The changes however, will be considered a high priority in the development of Version 1 of the business practices.

In addition under priority two issues, the title of Inadvertent Interchange Business Practice was changed to Inadvertent Interchange Payback Business Practice and Time Error Correction Business Practice was changed to Manual Time Error Correction Business Practice.

⁷⁰ Replacement definitions written by the BPS for WEQ EC consideration are found in the document “Document Incorporating WEQ BPS Responses to Final Industry Comments on Version 0, 11/29/04” located on the NAESB website at http://www.naesb.org/pdf/weq_ec113004w36.doc.

Priority three issues include improvements in language in the standards. Several capitalization changes were made in Coordinate Interchange Business Practice. The words “each” and “when requested” were added for further explanation to requirement 7 of Manual Time Error Correction Business Practice. Also, the phrase “time monitor” was added to “interconnection” in requirement 11 of Manual Time Error Correction Business Practice.

All other industry comments submitted to the WEQ EC were considered priority four issues. Although each comment was reviewed and considered by the EC, no action was taken on priority four issues. Again, the reason for not making the changes was the tenet that Version 0 business practices reflect exactly the business practices reflected in the NERC operating policies. The changes however, will be considered a high priority in the development of Version 1 of the business practices.

The business practices were unanimously adopted by the WEQ EC on November 30, 2004. The business practices standards were ratified by WEQ general membership on December 31, 2004⁷¹.

VI. HIGHLIGHTS OF THE STANDARDS; A GENERAL PREFACE

The business practice standards and communication protocol standards discussed in this filing are the product of intense discussion, negotiation, and NAESB WEQ EC adoption and WEQ membership ratification. Accordingly, it is prudent at this juncture to let the standards and protocols speak for themselves. However, a few illustrations of the significance and utilization of the standards and protocols are highlighted below.

A. OASIS Business Practice Standards and Communication Protocol Standards

The OASIS standards adopted by the WEQ implement the Commission’s policy related to on-line price negotiation and to improve the commercial operation of the OASIS system. The

⁷¹ The Manual Time Error Correction standard was supported by 87.50 % of the WEQ membership. The Inadvertent Interchange standard was supported by 87.50 % of the WEQ membership. The ACE Special Cases standard was supported by 81.25 % of the WEQ membership. The Coordinate Interchange standard was supported by 97.92 % of the WEQ membership. Detailed ratification results are provided in Appendix IV to this filing.

revisions to the OASIS standards, detailed above, update the Commission-approved standards in the areas of posting requirements, redirects and multiple requests.

B. Standards of Conduct

The Standards of Conduct standards parallel the requirements of (FERC Order Nos. 2004, 2004-A, and 2004-B) that were applicable to wholesale electric entities.

C. “Version 0” Set of Standards on ACE Equation [Special Cases], Manual Time Error Correction, Inadvertent Interchange Payback, and Coordinate Interchange

The following are the purpose statements included in the respective business practices by the WEQ BPS:

- It is the obligation of each BA to manage its Area Control Error in accordance with NERC reliability standards. ACE Equation [Special Cases] business practice standard provides additional requirements of jointly owned units, supplemental regulation service and load or generation transfer by telemetry for the ACE Equation.
- Coordinate Interchange business practice standard defines procedures for market participants to request the implementation of interchange transactions.
- Inadvertent Interchange Payback business practice standard defines the method(s) in which Inadvertent Energy is paid back. The standard is applicable to all NERC regions.
- Time Error Correction business practice standard specifies the procedure to be used for reducing the error caused by an imperfect control value for interconnection frequency (normally scheduled at 60.00 Hz and controlled to that value.) Over time the frequency will average slightly above or below 60.00 Hz resulting in mechanical electric clocks developing an error relative to true time. This standard specifies the procedure to be used for reducing the error to within acceptable limits of true time.

VII. PROCEDURAL CONSIDERATIONS

All of the NAESB WEQ standards discussed in this report have been developed through the process identified in Section II.B of this document. As such, the standards have been approved by the WEQ EC and ratified by the NAESB WEQ membership prior to the January 17, 2005 publication date. After NAESB standards have been ratified, the standards are considered final actions until published and are available for industry implementation.

VIII. CONCLUSION

For the reasons discussed in this filing, NAESB believes that the Commission should find the “Version 0” business practice standards, the Standards of Conduct, and the OASIS standards and communication protocols, contained herein to be responsive to the goals of the industry and the Commission.

Respectfully submitted,

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