Wholesale Electric Quadrant Comparison Matrix – February 4, 2002
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Governance

Organization				
NAESB Process as Represented in the NAESB Certificate and Bylaws	Industry Collaborative Entities (EPSA)	Discussion Framework (EEI)	WESM (NERC)	Other
Stakeholder Board/ Executive Committee/ Subcommittee	Same as NAESB	Board and Executive Committee in accordance with NAESB charter and bylaws	Independent Board/ Stakeholder Committee/ Standards Authorization Committee/ Standing Committees	A stakeholder board for developing business practices and an independent board for reliability may be an alternative.

Issues:

1. **One Structure or Two?** – The first issue to be resolved prior to discussion on governance, process or any of the other issues itemized in the matrix is "Are there one or two organizations developing business standards?

2. **Stakeholder versus Independent Board** A hybrid board -- part stakeholder and part independent may be an alternative (J.D. Puckett). Is this a big issue? (Jim Hartwell). It may only be one if FERC considers it so. The independent board has appeal because of its neutrality (LuAnn Westerfield). A hybrid EC may also be an alternative. A stakeholder board for developing business practices and an independent board for reliability may be an alternative (Bonnie Suchman). Hydro One supports "Stakeholder Board" because the stakeholders →owning the facilities and end users paying for the facilities. Even the current NERC boards decisions are substantially influenced by the recommendations put forward by the "stakeholder committee". Why to add another layer of bureaucracy? Else a hybrid model could serve as a compromise.(Hydro One)

3. **Committees**. The role of standing committees should be considered including the nature and role of subcommittees, which should be clearly documented. (Scott Brown, Exelon). The specification should include who can sit on a standing committee in addition to its role. Is it appropriate to have forums that can propose standards? (Gerry Cauley, NERC). . This should be a discussion subject for Ph11 after a decision on the Standard Setting Body has been made (details??) and filed with FERC'. However, resources for "standing committees" type of structure would always be required and be available in any model. This re confirms that lack of expertise with a new Standard Setting body had been overly stated.(Hydro One)

4. **Board.** There should only be one board (J.D. Puckett, DENA). . If there is one board then the board should be a Stakeholders Board. (Hydro One)

5. **Jurisdiction.** FERC does not have subject matter jurisdiction over reliability standards. Where do policy issues go for resolution? (Dave Cook – NERC) Are distinctions being made about reliability standards not being within FERC jurisdiction, as several are contained with tariffs? (Marjorie Phillips – Exelon). This statement that FERC does not have subject matter jurisdiction is not necessarily correct because historically it is more a lack of exercise of authority and a constraint of resources on FERC's part. (B. Lamb - PJM). If the rules appear in the tariff, why wouldn't they be FERC jurisdictional? RTOs have reliability responsibility and RTOs are the jurisdiction of the FERC. (R. Flanders – FERC). This issue should be eliminated from these deliberations. Whether or not FERC has jurisdiction over reliability rules is moot with regard to the task at hand. Historically, FERC has delegated reliability standard making (and enforcement) to the Electric Industry. By virtue of the December 19, 2001 order, FERC also delegated the development of business standards to the industry. The industry has been assigned this task by FERC. (*"We prefer that the industry develop these business practice standards and communication protocols by establishing a single consensus, industry-wide standards organization for the wholesale electric industry, and we understand the industry is in the process of trying to develop such a standards organization.")* (Karl Tammar, NYISO) This can be addressed by appropriate regulatory agencies. (Hydro One)

6. **Independent Board.** An independent board is needed for reliability standards – it should not be left to a consensus-based process. The committee structure may be the same in standards development but when the board acts on reliability standards, it must exercise its judgment as an independent board (not bound to results of the consensus process) including setting timetables. (Cindy Bogorad – TAPS) it should not be left to a consensus-based process. The committee structure may be the same in standards development but when the board acts on reliability standards, it must exercise its judgment as an independent board (not bound to results of the consensus process) including setting timetables. (Cindy Bogorad – TAPS) Hydro One disagrees that independent board is needed for reliability standards. Stakeholders have effectively managed the reliability of the system for over 100 yr. and will do so. FERC and other local or state regulators always have powers to over write board decision. Even in the current NERC model, stakeholders committee has significant influence on the Board. Why to add another layer of bureaucracy? (Hydro One)

7. **Board Responsibilities –** the Board does not approve the standards in either the NERC WESM model or in NAESB. However for those standards that are enforceable, the Board may have a different role. (Dave Nevius and Dave Cook – NERC, Jim Templeton - NAESB). Coordination of policy decisions would be the purview of the Board of Trustees. (Dave Cook) The Standard Setting Organization should ONLY be empowered with developing standards and just that. The board should bot have any enforceable role which should be left to other 3rd

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independent entity or the regulator (Hydro One).

8. **Electronic Scheduling Collaborative –** What is the role of the ESC governance documents and bylaws? (Keith Sappenfield – PanCanadian)

9. **Single Organization** -- A single organization is critical for both wholesale and retail electric issues and reliability and commercial practices as well as a technical staff is needed. Will NAESB be willing to handle changes to the board to allow for an independent board? (John Anderson - Elcon). The NAESB board can entertain structure changes. (NAESB – Rae McQuade) Is one organization or two setting reliability practices? (Bonnie Suchman – CEA). A single organization is critical for both wholesale and retail electric issues and reliability and commercial practices under a single "Stakeholders Board" (Hydro One).

10. **Scope**. The scope should be limited to business and commercial standards. Reliability issues should be addressed in NERC. (Drew Kovolak – MAPPCOR) Others noted that the standards are too intertwined and cannot be separated (B. Lamb – PJM). The FERC order notes business practice standards -- not reliability standards development only coordination, and there is an established reliability process in the west to address reliability issues. The industry meetings underway are notably lacking meetings in the west. Reliability standards need to be addressed by a regional interconnection-based organization and business practices should well be addressed by the RTOs. (Karen Adderley – BC Hydro). The scope should NOT be limited to business and commercial standards. If a coordinated approach between the competing organizations can NOT be reached, an entity like NERC can provide advisory role to FERC or regulatory agencies on Reliability issues. (Hydro One).

11. **Implementation/Enforcement**. Who has responsibility for setting POLICY to which the standards must be developed?~~authority for the implementation/enforcement of the standards?~~ (Joel Dison – Southern) – This should be made as a row in the spreadsheet with responses provided. (D Dworzak – EEI) (See page 8). Hydro One believes that this Phase does not require to address this issue. Enforcement should be left to the regulator at this time. However, regulator may want to assign this to its agent. (Hydro One)

12. **Establishment of Reliability Policies:** For WESM, reliability policies adopted by NERC Board of Trustees based on recommendations of Stakeholders Committee. Policies at Regional level adopted by Regional Councils based on their stakeholder processes (Dave Cook, NERC). For WESM, NERC Board of Trustees based on recommendations of Stakeholders Committee adopts reliability policies. Hence an independent Board is not required. (Hydro One)

Voting Methodology for Standards Adoption

NAESB Process as Represented in the NAESB Certificate and Bylaws	Industry Collaborative Entities (EPSA)	Discussion Framework (EEI)	WESM (NERC)	Other
Super Majority Balanced Segments	Same as NAESB	Largely identical to NAESB charter and bylaws. EW quadrant procedures could include initial set of subcommittees, including relationships between subcommittees and quadrant Executive Committee, and formation of working groups. Open participation and voting on standards at all subcommittee meetings; options for electronic balloting. EC with five sectors, possibly six; generation, transmission, distribution, customers, and marketers. Sixth possible sector is RTO. Supermajority affirmation required for approval and ratification at all balloting levels.	Weighted sector/independent Board adoption – the board adoption is for compliance/enforceable standards	1. Voting on reliability standards may require a separate structure rather than consensus used for business practices. 2. Should state Commissions vote on standards and how do they vote? (LuAnn Westerfield)

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Issues:

1. **ANSI**. Which process passes muster at ANSI? This issue should be moved to the 'ANSI Accreditation' subcategory. (Karl Tammar, NYISO)
2. **FERC**. FERC has noted that it does not support allowing a segment to block passage of a vote as a general FERC policy for RTO governance. In response to this comment, a FERC staff person disagreed.
3. **Board Control**. Can the board over-ride standards adopted?
4. **State Regulatory Voting.** Where would State Commissions vote? Should this be added in the "Other" column per NARUC? The NARUC comments should be considered as draft. (LuAnn Westerfield) Should this issue be moved to the 'Role of State Commissions' subcategory? The central issues raised there relate to voting. (Karl Tammar, NYISO)
5. **Voting and segments**: There is a debate on whether states should vote on the standards. (Joe Rossignoli – National Grid, Diane Barney – NY PSC) The sectors as defined in the WESM model provide for a better voting model; need separate voice for the TDU member interests. VIU should not vote in multiple segments. (Cindy Bogorad – TAPS). A sixth segment is needed as described in the ~~EEI~~ NAESB model but this should include "pure" TOs and ISOs as well as RTOs. (Jamil Nasir – National Grid). Hydro One strongly believes that VIUs should be allowed to vote in multiple sectors. Otherwise in Canada, distributors representing approx. 80% of the customer will have no representation in one or more sectors. We believe that interest based definition to qualify to vote in a sector should be explicit. (Hydro One)
6. **WESM Voting** -- Can one vote carry a sector in the WESM model? (Ed Davis Entergy) Yes, after minimum thresholds are met for the sector. (Dave Nevius – NERC)
7. **NAESB Voting** -- NAESB final voting to approve standards is restricted to paid members, which is a concern. (Charlie Acquard - NASUCA, John Anderson – Elcon). NAESB final voting to approve standards is restricted to paid members, is acceptable to Hydro One. However, entity responsible for setting standards should JUST DO THAT → set Standards nothing more. Membership dues for such an organization should be reasonable and same for every member in each sector. (Hyro One**)**
8. **Subcommittees.** Can subcommittees stop the standards from moving forward?

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Voting Membership for Standards Adoption

NAESB Process as Represented in the NAESB Certificate and Bylaws	Industry Collaborative Entities (EPSA)	Discussion Framework (EEI)	WESM (NERC)	Other

Issues:

Role of NERC Board

NAESB Process as Represented in the NAESB Certificate and Bylaws	Industry Collaborative Entities (EPSA)	Discussion Framework (EEI)	WESM (NERC)	Other
Separate from the NERC Board	Possible convergence with NAESB Board - hybrid	Appealable function	–Under the WESM proposal, the Board does not approve standards. WESM also proposes that the NERC Board members would serve as the Board members of the WSEQ of the NAESB Board.	NERC responsible for setting reliability standards.

Issues:

1. **Appeals.** The appealable function may be used for in addition to the NAESB procedures: (1) at triage for assignment, (2) to prevent bottlenecks during standards development and (3) at the end of the process to vet the standards through NERC. (EEI). This is very important should a single segment be permitted to block passage of a standard.

2. **NERC Role.** It may be difficult to give up a trustee relationship for reliability issues. An independent NERC Board develops core reliability standards and basic principles -- for which it has been entrusted. The NERC Board would not agree to share this responsibility. However, a common forum could be used to develop supporting business practices. (NERC). There is a role for the NERC Board, which is not necessarily in conflict with the NAESB organization. (Keith Sappenfield**).** Role could be of an advisory to FERC and state regulators to ensure that reliability principles are followed. (Hydro One).

3. **Approval of Standards**. Today, the NERC Board approves reliability standards, following approval by the ballot pool of 105 members of MIC, OC and PC. In the WESM proposal, a weighted segment vote is used to approve all standards. The Board would still vote to establish reliability policies and principles and also vote to establish compliance and enforcement requirements. (Dave Nevius – NERC). Compliance, performance measures, sanctions and enforcement activities should be separated from the standards setting activities. (Ken Wiley – Fla RCC). In the NAESB model, this separation is the case. (Bill Boswell – NAESB). . In the WESM proposal, a weighted segment vote is used to approve all standards. Such a Board may still vote to establish reliability policies and principles BUT should have nothing to do with compliance and enforcement requirements. (Hydro One)

4. **Compliance/Enforcement**. Assignment of compliance and enforcement of standards should be the role of the regulatory organizations. (B. Lamb – PJM). This issue should be moved to the 'Compliance and Enforcement' subcategory. (Karl Tammar, NYISO). This should be Ph II of the exercise. Compliance, performance measures, sanctions and enforcement activities should be completely independent of this new organization. Assignment of compliance and enforcement of standards should be the role of the regulatory organizations. And NOT Standard setting entity. (Hydro One)

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5. **Independent Board.** An independent board is needed for reliability standards – it should not be left to a consensus-based process. The committee structure may be the same in standards development but when the board acts on reliability standards, it must exercise its judgment as an independent board (not bound to results of the consensus process) including setting timetables. (Cindy Bogorad – TAPS) . Hydro One disagrees with TAPS. An independent board is NOT a requirement for reliability standards. As stated by NERC staff, stakeholder committee provides recommendations to the board on such standards today and under WESM- (Hydro One).

Segments

NAESB Process as Represented in the NAESB Certificate and Bylaws	Industry Collaborative Entities (EPSA)	Discussion Framework (EEI)	WESM (NERC)	Other
Per the Electric Wholesale Quadrant	(1) TOs/ISOs/RTOs/ITCs, (2) Generators, (3) Marketers/Aggregators, (4) LSEs/Distribution/TDUs, (5) Consumers, State Regulators	(1) Generation, (2) Transmission, (3) Distribution, (4) Customers, and (5) Marketers. Possible sixth; RTOs. Issue: role of vertically integrated utilities.	(1) TOs, (2) RTOs/ISOs/RRCs (3) LSEs (4) TDUs (5) Generators (6) Brokers/Aggregators/Marketers (7) Large End Users (8) Small End Users (9) Fed/State/Prov. Reg./Gov. Entities	Entergy proposal for segments – (1) Gens, (2) TOs, (3) Retail load service, (4) Wholesale market and (5) Reliability.

Issues:

1. **Membership in Segments**: How are members and non-members addressed within segments? (Scott Brown) The WESM proposal does not identify specific subcommittees for drafting of standards. The Standards Authorization Committee (SAC) will appoint Standards Drafting Teams (SDTs) made up of subject matter experts. All meetings, including drafting meetings, are open. Members of the SDTs determine when a draft standard is ready to be sent to the SAC for authorization to post for comment or for ballot.. (NERC). Regional balance should be reflected in the segments. (NERC).
2. **Services Segment**. There should be a place for service providers in the segments defined. (Bob Rosenthal, PA PUC).
3. **Segment Responsibilities**: What other responsibilities and voting do segments support that are not related to standards approval and development? (Charles Yeung) The roles of the segments should be identified. Segment members should also provide resources on committees to draft standards. The roles of the segments should be identified. (Hydro One)
4. **Determination of Segments**: There should be a fair and open process for determining the segments that is clearly documented. There should be as many segments as needed and can be populated by industry stakeholders. If a segment is not adequately populated, action could be taken to make adjustments to the segments in an open, fair and clearly defined process. The process to define when a segment can be adjusted should be developed at the same time that the open, fair and clearly defined process is developed to determine how initial segments should be defined. There should be a segment defined for not-for-profit entities. (NRECA). Hydro One believes that as long as there is no direct or indirect discrimination against any member and is allowed to join multiple sectors –1. By qualifying in that sector and 2) paying the membership dues for each sector..It should be a non-issue (Hydro One).
5. **Number of Segments**: The more the end user customers segment is watered down, the less buy-in will be forwarded from the end user customer community. They are resource constrained and ultimately pay for the end product. Elcon is strongly opposed to both the Industry Collaborative Entities (EPSA) and "Other" proposed Segments as presented in this matrix.

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The EPSA segments include State Regulators in the Consumer segment and the "other" proposal doesn't even have a place for consumers. As defined, both the EPSA and the Other models are non-starters for Elcon. (John Anderson – Elcon)

6. **Transmission Interests** – A sixth segment to reflect pure transmission entities should be created to represent parties that do not have direct market interests. (Jamil Nasir – National Grid). – NO. There should be no provision for special interests such as pure transmission entities as long as they are eligible to join one of the sectors. (Hydro One).
7. **Stacking of Interests -** Stacking of interests by companies that join multiple segments do not seem to be prevented by the NAESB bylaws. (Joe Rossignoli – National Grid). Companies who have interests in multiple segments should be able to join multiple segments. (Ajay Garg - Hydro One)
8. **TDU Interests -** There is the need for a separate TDU segment to support its interests. (Cindy Bogorad – TAPS)
9. **Consumers -** The consumer segment should be separated from the state regulators. (Bruce Ellsworth, NAESB Advisory Council)

Multi-Segment Representation

NAESB Process as Represented in the NAESB Certificate and Bylaws	Industry Collaborative Entities (EPSA)	Discussion Framework (EEI)	WESM (NERC)	Other
Permitted -- NAESB bylaws	Permitted	Companies can join multiple segments.	The task force has determined to allow multi-segment representation -- which also allows voting.	

Issues:

1. **Multiple memberships by a corporation:** Does this apply to only vertically integrated companies or to other corporations? (Including voting at the standards approval level). This should be based on meeting the qualifications of a sector. (Hydro One)
2. **VIUs**. VIUs should not vote in multiple segments, unless a separate segment for RTOs, ISOs and "pure" TOs is approved. (Jamil Nasir **–** National Grid, Cindy Bogorad – TAPS). . Any entity should be allowed to vote in multiple segments if they qualify to belong in multiple segments. (Hydro One).
3. **Police Function on Gaming.** There must be a police function if companies are permitted to join multiple segments to ensure against gaming. (John Anderson – Elcon). In the WESM model, the NERC Board would evaluate actions to ensure that there was no gaming. The NAESB organization has not to date seen this problem. The NAESB quadrants may draft their own provisions to ensure that a member has a legitimate business interest, and have provisions for removing members from the EC and from the Board. Retail quadrants are in the process of drafting such procedures (Bill Boswell – NAESB, Keith Sappenfield - PanCanadian).
4. **Exclusivity.** The process should allow for a company to join any segment in which it has a business interest or it may be considered exclusive. (Gary Jackson – TVA, Joel Dison – Southern).
5. **ANSI.** The ANSI determination on whether it would grant accreditation if the organization allowed that a member could join only one segment is not known. (Joe Rossignoli – National Grid)

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Relationship Between Business Practices and Reliability

Convergence

NAESB Process as Represented in the NAESB Certificate and Bylaws	Industry Collaborative Entities (EPSA)	Discussion Framework (EEI)	WESM (NERC)	Other
Open issue for Electric Wholesale Quadrant to decide	Convergence under single process	Not addressed specifically in framework, however, electric wholesale quadrant procedures could accommodate many alternatives. NERC could propose and/or adopt standards independently in its Organization Standards process, forward for NAESB consideration and voting. A tightly bounded set of "pure reliability" standards could be defined as exclusively reserved for development at NERC, move through NAESB on a rebuttable presumption voting process. NERC could propose standards for development in NAESB process. All electric-related NAESB standards could allow special reconsideration process for reliability issues within appeal process. NERC could identify high priority reliability themes for NAESB Annual Plan.	Converge under WESM	Strong coordination needed between efforts that establish reliability and business practice standards

Issues:

1. **Consistency**: NRECA believes that any standards setting process must ensure that business and market standards be consistent with and conform to reliability requirements and market design.
2. **ANSI**: An independent board is permissible for ANSI accreditation. (Gerry Cauley – NERC)
3. **Scope**. Regionality should be defined for reliability for the bulk power system. (Ed Thompson – ConEd). . Provision for Regional differences should be accepted and defined for reliability for the bulk power system (Hydro One).
4. **Convergence**. Absolutely essential that the wholesale and retail and commercial and reliability issues for the electricity market should converge. (John Anderson – Elcon, Jack Hawks – PG&E NEG). The reliability and commercial issues cannot be separated. (Dave McMillan – Calpine). Standards may be set in one process and organization and the issues of compliance and enforcement handled separately. There are commercial aspects of setting reliability standards, and there are business practices standards that may be set without reliability overtones (Martin Amati – Niagara Mohawk). As a consensus is reached many of these issues will be vetted and it will be worked out (Vann Prater – Dynegy). Separate subgroups should be used to review the standards developed even if one group defines them. (Jamil Nasir- National Grid). Convergence is for the better interests of the industry and should not focus around the existing organizations NERC or NAESB. (Hydro One)
5. **Definition**. Should anyone suggest two separate organizations, it would be encumbent on them to provide a sufficiently specific definition for a reliability standards and commercial standards to avoid duplication of activities between the organizations. (Barry Green – Ontario Power Generation)
6. **Reliability elements of commercial standards**. The reliability elements of commercial standards should be reviewed by the NERC Board. (Cindy Bogorad – TAPS). This would be possible as standards are developed, and in addition, NERC staff could participate in its development. A similar vetting process was used by GISB with Sandia regarding electronic standards. (NAESB - Bill Boswell, Jim Buccigross). What happens if as a result of the vetting process by either Sandia or the NERC Board, the standard is rejected? (John Anderson -- Elcon) It is the expectation that the concerns would be addressed prior to the standards being adopted. (Bill Boswell – NAESB)
7. **Coordination**. The goal is coordination, not necessarily putting all activities in the same organization. Reliability must be paramount. (Karen Adderley – BC Hydro). In agreement with the prior statement, convergence is over-rated. (Drew Kovolak – MAPPCOR)

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Relationship Between Business Practices and Reliability

Compliance and Enforcement

NAESB Process as Represented in the NAESB Certificate and Bylaws	Industry Collaborative Entities (EPSA)	Discussion Framework (EEI)	WESM (NERC)	Other
None. Voluntary compliance. Status reports on standards and development would be provided to any government agency that requests such. NAESB would not advocate in front of any regulatory agency.	Facilitated by a separate organization.	Identified as critical unresolved issue.	For business practice standards and communications protocols, compliance and enforcement would be by FERC and other regulators. For core reliability standards, compliance and enforcement would be by NERC and Regional Councils.	

Issues:

1. **Implementation**. The organization may have a specific implementation role. Compliance and enforcement by FERC and RTOs should be addressed. The organization may have a specific implementation plan for the Standards to be developed. (Hydro One)

2. **Enforcement.** If a standard is developed through one process – there must be a way to define if the standard is reliability, which should be mandatory with enforcement. The process for enforcement should be separate from its development. (Ken Wiley Fla RCC) The issue of compliance and enforcement should not be part of the debate on standards organizations. (Tony Jankowski, WEP and Mark Scheel, Dynegy). NAESB has in its bylaws, clearly stated that all standards are voluntary from the perspective of NAESB. (Bill Boswell – NAESB). The FERC order supports standards that the FERC would then determine how to address (Ajay Garg – Hydro One, Jamil Nasir – National Grid). NAESB has standards that no regulatory agencies endorse such as the base contract. (Keith Sappenfield - PanCanadian). Determinations of whether to send standards to regulatory agencies should not preclude a review of standards by NERC. (Ed Thompson – ConEd). Compliance and enforcement should be left to the regulators OR Phase II. (Hydro One)

3. The handling of compliance and enforcement between the NAESB bylaws and the NERC (WESM) model are fundamentally different. Can the NERC (WESM) compliance and enforcement process exist within the NAESB bylaws? If not, to what entity will compliance and enforcement of reliability standards be delegated? Candidates include FERC, RRO's, RTO/ISO's, or the creation of a new independent organization. (Karl Tammar, NYISO) We should not be concerned if the NERC (WESM) compliance and enforcement process exist within the NAESB bylaws? Once a decision is made not to have Compliance and enforcement as part of the standard setting body, appropriate changes will have to be made by existing organizations – Regulators, NERC or NAESB. Again Phase II of the exercise. (Hysro One)

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Relationship Between Business Practices and Reliability

Regional and Other Variances

NAESB Process as Represented in the NAESB Certificate and Bylaws	Industry Collaborative Entities (EPSA)	Discussion Framework (EEI)	WESM (NERC)	Other
Regional standards and local variations accommodated.	Regional standards and local variations accommodated.	Regional standards and local variations accommodated.	Regional standards and local variations accommodated.	

Issues:

1. **Variances.** Regional variations are acceptable as long as they do not pose barriers to entry. (Vann Prater – Dynegy) Exceptions for regions or standards that would apply to only one region should be acceptable under the term "variation". (Ken Wiley – FLA RCC, Joe Rossignoli – National Grid). . Regional variations should be acceptable as long as they do not pose barriers to entry. (Hydro One)
2. **Regions working together.** The regions should work together to set the standards even if those standards incorporate regional differences (John Anderson – Elcon, Jack Hawks – PG&E NEG). All things being equal, the local regions should have the authority to set their own rules (Jamil Nasir – National Grid). All things being equal, the local regions should have the authority to set more stringent rules. (Hydro One).
3. **Standard Market Design**. The standards are the "how" under standard market design. Variances should not drive the market models. FERC's market design will be the thesis for a "top down" approach for industry standards development. (Keith Sappenfield – PanCanadian, Charles Yeung – Reliant Resources) Too many variances begs the question of if a process should be standardized. The presumption should be uniformity. (Tony Jankowski – WEP)
4. **RTOs**. Standard setting for reliability on an interconnection basis makes a lot of sense. We expect RTOs will take a large role in business practices standards setting. (Karen Adderley – BC Hydro). RTOs implement standards, the standards setting organization develops them. (John Anderson – Elcon). If RTOs do not have a separate segment, some relationship should be defined given any contentious issues both for reliability and business practices. (Jack Hawks – PG&E NEG).
5. **FERC.** FERC Order notes need for uniform standards not a "hodge-podge" of regional standards.'(Jim Hebson, PSE&G Power)

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Relationship with Other Entities

Relationship with FERC/Canada

NAESB Process as Represented in the NAESB Certificate and Bylaws	Industry Collaborative Entities (EPSA)	Discussion Framework (EEI)	WESM (NERC)	Other
FERC and appropriate regulatory approvals	FERC and appropriate regulatory approvals	Not addressed in framework. FERC nonjurisdictional entities identified as critical unresolved issue	Regulatory entities are voting members	Process must recognize Canadian jurisdictional sovereignty with respect to standards adoption.

Issues:

1. **FERC Adoption of Standards**: How does FERC approve actions of the standards organization? Should Canada be separated for purposes of discussion? In the FERC order, it appears that the FERC believes it has jurisdiction on development of business practices in the U.S. -- and after 3/15, should the industry not determine the appropriate industry standards setting body. It has indicated it will take action. Compliance and Enforcement should be left up to the local regulator as Phase I of this exercise (Hydro One).
2. **Non-jurisdictional entities**: FERC's jurisdiction with respect to non-jurisdictional entities should be explored.
3. **Single Process.** If a single process is used to develop standards, those standards should be forwarded to the FERC, Canadian regulatory agencies and Mexican regulatory agencies (Comision Reguladora de Energie) at the same time. (Jack Hawks – PG&E NEG)
4. **Coordination.** Assure the ability of Canada and Mexico to participate in the process in consideration of their views and they will make their own judgments regarding the resulting standards; similarly, FERC should not be restricted in its consideration and judgment and regulatory options with respect to such standards. (B. Lamb – PJM). The contractual reliability system used by the WSCC was cited as a successful example of the US and Canadian entities and regulatory groups working together on a standard. (Ajay Garg Hydro One Networks, Karen Adderley, BC Hydro). Intent of coordination can be met by making Canada and Mexico an integral part of the models. (Ed Schwerdt, Northeast Power Coordinating Council).
5. **Limitations.** There should be an express limitation on the deference FERC may accord the NERC board and NAESB process in reviewing standards. In either case, FERC should be required to make an independent, de novo judgment (without deference) on the effect of the proposed reliability or business standard on competition. (Cindy Bogorad, TAPS).
6. This subcategory should be broken up in three subcategories:
    1. Relationship with FERC
    2. Relationship with non-US non-jurisdictionals (Canada and Mexico)
    3. Relationships with domestic non-jurisdictionals

    The issues relating to each are distinct. (Karl Tammer, NYISO)

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Relationship with Other Entities

Role of State Commissions

NAESB Process as Represented in the NAESB Certificate and Bylaws	Industry Collaborative Entities (EPSA)	Discussion Framework (EEI)	WESM (NERC)	Other
To be determined by the quadrant via segment definitions. In the role as regulators, state commissions are part of the Advisory Council and do not vote on approval of standards.	To be determined by the quadrant	All subcommittees open for participation and voting. Quadrant procedures to include electronic balloting. State commissions and/or NARUC could host subcommittee meetings.	State Commissions are voting members and are defined to a segment.	

Issues:

1. **NARUC Position**: Do the state commissions have segments and are they permitted to vote. State Commissions want to reserve the right to vote at every level of the organization -- which is a NARUC position. (LuAnn Westerfield D PUC, Diane Barney, NY PSC).
2. **Participation and Voting.** Some state commission staff are not interested in voting, but rather in participating on the advisory council. (Bob Rosenthal, PA PUC)

Relationship with RTOs

NAESB Process as Represented in the NAESB Certificate and Bylaws	Industry Collaborative Entities (EPSA)	Discussion Framework (EEI)	WESM (NERC)	Other
To be determined by the quadrant.	To be determined by the quadrant.	Identified as critical unresolved issue.	Separate Segment (RTOs/ISOs/RRCs)	

Issues:

1. This subcategory appears to be superfluous and should be dropped. RTO's roles are clearly defined. RTO's will administer Transmission Tariffs and must abide by industry standards. They may, if genuinely warranted, develop and abide by stricter standards. All but the EEI 'Discussion' framework include RTO's as part of a stakeholder segment. No specific issues were raised nor added to the Matrix on January 29. (Karl Tammer, NYISO)

Wholesale Electric Quadrant Comparison Matrix -- February 4, 2002
Standards Development Process

A Day in the Life of a Standard

NAESB Process as Represented in the NAESB Certificate and Bylaws	Industry Collaborative Entities (EPSA)	Discussion Framework (EEI)	WESM (NERC)	Other
Document provided and attached. • Request is forwarded to triage for recommended assignment • Executive Committee acts on recommendation • Subcommittees develop recommended standards • Industry comments • Recommended standards voted on by Executive Committee • Approved standards ratified by membership	Within NAESB charter and bylaws.	Within NAESB charter and bylaws.	Document provided and attached.	

Issues:

1. **Elements of Standards Development:** What is addressed in Triage? What is addressed in appeals? How is the comment process implemented? Is there a reliability check of safeguard process? Are standards forwarded to FERC and other government agencies? .
2. **Points of Voting:** The NERC WESM process includes the standards development process approved by the NERC Board of Trustees in October. The WESM NERC process provides a needs assessment process. There is a voting structure by participants in the standards authorization committee, but not by the developing team ("power of the pen"). The developing team should be open to everyone and everyone should be able to vote. Members of the standards authorization committee are elected by the members of the segments.
3. **Openness of Process:** The standards development process should be open to all participants -- and it is open to all.
4. **Consensus Based Process.** Some mechanism is needed to permit the independent NERC board to identify the need for a new or revised reliability standard, and when it is needed. A mechanism should also be developed for the NERC board to act independently when no consensus exists. NERC should have the authority if the timetable is not acceptable, if the consensus process fails, to adopt reliability standards at least on an interim basis. (Cindy Bogorad, TAPS) . . If the consensus based process would NOT address reliability or business practices—Regulators would intercept. A non-issue. (Hydro One).

Coordination of Standards Development Between Quadrants

NAESB Process as Represented in the NAESB Certificate and Bylaws	Industry Collaborative Entities (EPSA)	Discussion Framework (EEI)	WESM (NERC)	Other
Coordination defined through determination of the scope of the request of a standard, joint development if appropriate and reconsideration after development if needed.		Not addressed in framework		

Issues:

1. **FERC**: This issue has been raised by the FERC in its recent 12/19 order.

Wholesale Electric Quadrant Comparison Matrix -- February 4, 2002
Standards Development Process

Treatment of Existing NERC Standards

NAESB Process as Represented in the NAESB Certificate and Bylaws	Industry Collaborative Entities (EPSA)	Discussion Framework (EEI)	WESM (NERC)	Other
Standards adoption follows NAESB process for NAESB standards.	Complete transition underway which captures essential NERC reliability elements -- which would be vetted through the new process.	In general, EEI process has identified "legacy" issues as important; no specific proposal in framework	Complete transition underway which captures essential NERC reliability elements.	

Issues:

1. **Grandfathering**. Grandfathering standards is an issue. (EEI). . Grandfathering standards can be addressed by bring facilities to standard when material addition or modification is done at the facility when there are no adverse impact on the BES or such a probability is extremely low. An entity would require t present their case to a Task Force for consideration of such exclusions. (hydro One).

2. **Physical Aspects.** Physical aspects of existing standards is an issue. (EEI). Liability for outages: The existing NERC and Regional Council operating policies and planning standards represent an agreed upon (with the regulators) method of dealing with utilities' liability for outages. There is an agreed-upon design level, utilities plan to that design, and operate to that plan. That serves to limit utilities' liability exposure for outages. If you dispense with the existing rules, you need to have an alternative mechanism in place to handle the liability-for-outages issue. (Dave Cook, NERC)

3. **Transferring Standards.** Existing GISB standards will not be transferred or grand fathered into NAESB. The existing GISB standards will be processed through the NAESB process to be adopted as NAESB standards. (Jack Hawks – PG&E NEG, Bill Boswell – NAESB). The NERC standards will remain in place until they are changed. (Dave Cook – NERC). The governance documents should include language that provides definitive timelines to sunset the existing NERC standards and policies to provide the right incentive for stakeholder consensus to build the new standards. (Charles Yeung – Reliant Resources)

4. **Existing Efforts.** OASIS standards will be covered by the scope of the WEQ. The existing OASIS Phase I Business Practices and S&CP were developed by the former OASIS 'What' and "How" Working Groups. Development of Business practices and S&CP to support OASIS Phase II, pursuant to FERC Order 638, is presently being carried out by the ESC and OSC. It would be in the best interest of the industry that time and resources expended by these groups, along with the efforts of NERC in the development of existing Reliability Standards, not be duplicated. (Karl Tammer, NYISO)

Wholesale Electric Quadrant Comparison Matrix -- February 4, 2002
Standards Development Process

Staff Support in Standards Development Process

NAESB Process as Represented in the NAESB Certificate and Bylaws	Industry Collaborative Entities (EPSA)	Discussion Framework (EEI)	WESM (NERC)	Other
Staff is administrative providing support to the committees and subcommittees and they develop standards, stakeholders do the detailed drafting. Should additional staff be needed and Board approves such, staff will increase.	Same as NAESB.	Not addressed.	More active role for staff in shepherding standards than exists today.	Process must recognize Canadian jurisdictional sovereignty with respect to standards adoption.

Issues:

1. **Additional Support:** The electric wholesale quadrant will need significant staff support -- much more so than needed in the gas wholesale quadrant. (Jack Hawks – PG&E NEG). The staff should be directed by the stakeholders rather than an independent board.
2. **Staffing**. Technical writing staff is very important and has funding implications. (John Anderson – Elcon) Professional staff reporting to an independent board is important and would prevent the process from being taken over by companies that have more staff and resources to contribute to the process. (Cindy Bogorad - TAPS)

ANSI Accreditation

NAESB Process as Represented in the NAESB Certificate and Bylaws	Industry Collaborative Entities (EPSA)	Discussion Framework (EEI)	WESM (NERC)	Other
GISB Accreditation as a Standards Development Organization transferred to NAESB.	Overarching principle in the framework	Overarching principle in the framework.	Overarching principle in the framework.	

Issues:

1. **Timing**: When the accreditation is expected should be addressed.
2. **Acceptance.** The organization should have the confidence of the industry and stakeholders first along with acceptance by the regulators. (Tony Jankowski, WEP and Cindy Bogorad, TAPs). Should changes to the NAESB model affect the accreditation, those changes should be scrutinized. ANSI accreditation or the expectation of such accreditation is critical for Elcon support for any organization. (John Anderson – Elcon)

Wholesale Electric Quadrant Comparison Matrix -- February 4, 2002
Funding

Funding				
NAESB Process as Represented in the NAESB Certificate and Bylaws	Industry Collaborative Entities (EPSA)	Discussion Framework (EEI)	WESM (NERC)	Other
$5000 per member.	Same as NAESB.	Single fixed uniform annual rate for all members.	Keeping open possible tiered dues function.	

Issues:

1. **Tiering:** Are tiered dues appropriate? Funding of the new "Standard Setting Organization" should be from the voting members of each sector. We STRONGLY believe that membership fees should be same for each member regardless of their size or sector (Hydro One)
2. **Non-dues revenue**. The organization should be funded by a mechanism other than dues. Technical staff writing skills are required. Such staff should report to an independent Board. The staff and the Board will require more money than can be raised through a dues based funding mechanism. Thus, the organization should be funded by a mechanism that places the costs fairly on all end users. (John Anderson – Elcon, Cindy Bogorad - TAPS)
3. **WESM Costs**. What are the funding costs for WESM and how will the participants know what they will be assessed? (Keith Sappenfield, PanCanadian) For a hybrid NAESB/NERC process, how will the process be funded? (Charles Yeung – Reliant Resources)
4. **Flexible Funding.** A flexible funding structure would be appropriate. An equitable cost allocation formula should be developed. Ultimately, the funds that need to be collected will depend on the budgeted operating cost requirements of the WEQ. This will be driven by the scope and demand for services from the industry participants. In the past several years NERC has been providing valued added engineering and information services to the industry, thus increasing its budget three or four fold. If these kinds if services are provided through the WEQ, it would be equitable to have users and direct beneficiaries of these services pay a larger portion of the development and maintenance costs. Fixed administrative costs could be shared more or less equally, perhaps at some fixed dues amount. (Example: NERC and its Regions presently allocate costs to operating Areas based on a pro-rata peak load or installed capacity basis. With the diversity in participants in the modern deregulated environment, this form of allocation loses relevance).

Wholesale Electric Quadrant Comparison Matrix -- February 4, 2002
Funding

SCOPE				
NAESB Process as Represented in the NAESB Certificate and Bylaws	Industry Collaborative Entities (EPSA)	Discussion Framework (EEI)	WESM (NERC)	Other

Issues:

1. The scope should address seams issues and communications issues so that trading is not impeded. Uniformity for uniformity's sake is not the goal of the organization. (Jamil Nasir – National Grid). The scope of the "Standard Setting Organization" should be just that → Set Standards only. (Hydro One).
2. The communication protocols should be flexible enough to handle the various locations trading (Ed Thompson – ConEd).
3. Not just trading but a broader scope of activities for standardization. (Mike Gildea – DENA)
4. Three areas of standardization are market design/electronic communications and business practices/back office systems. (Jack Hawks – PG&E NEG)
5. Review the FERC Order Providing Guidance, Docket No. RM01-12-000, dated 12/19/2001 – which should be the first agenda item for February 1 industry meeting. (Ed Thompson, ConEd)
6. The scope of the WEQ should be defined as soon as possible. The extent and limits of the scope directly or indirectly affect all other issues. Given the short time frame, it would be advisable to limit the scope as much as practicable to the essential issues. The By-laws of both NAESB and NERC/WESM (and the ESC) allow for the broadening of scope following due process. There are three models presented in a formal manner (posted on the NAESB web site):
    1. The EEI Presentation's 'Discussion' Model
    2. NERC's Preliminary {Proposal)
    3. Draft Industry Collaborative

   The union of these three models and FERC's prescription in the December 19, 2001 order will logically bound the scope of the quadrant. We must ensure that all present and on-going standards making activities are included in the initial scope. (Karl Tammer, NYISO)