

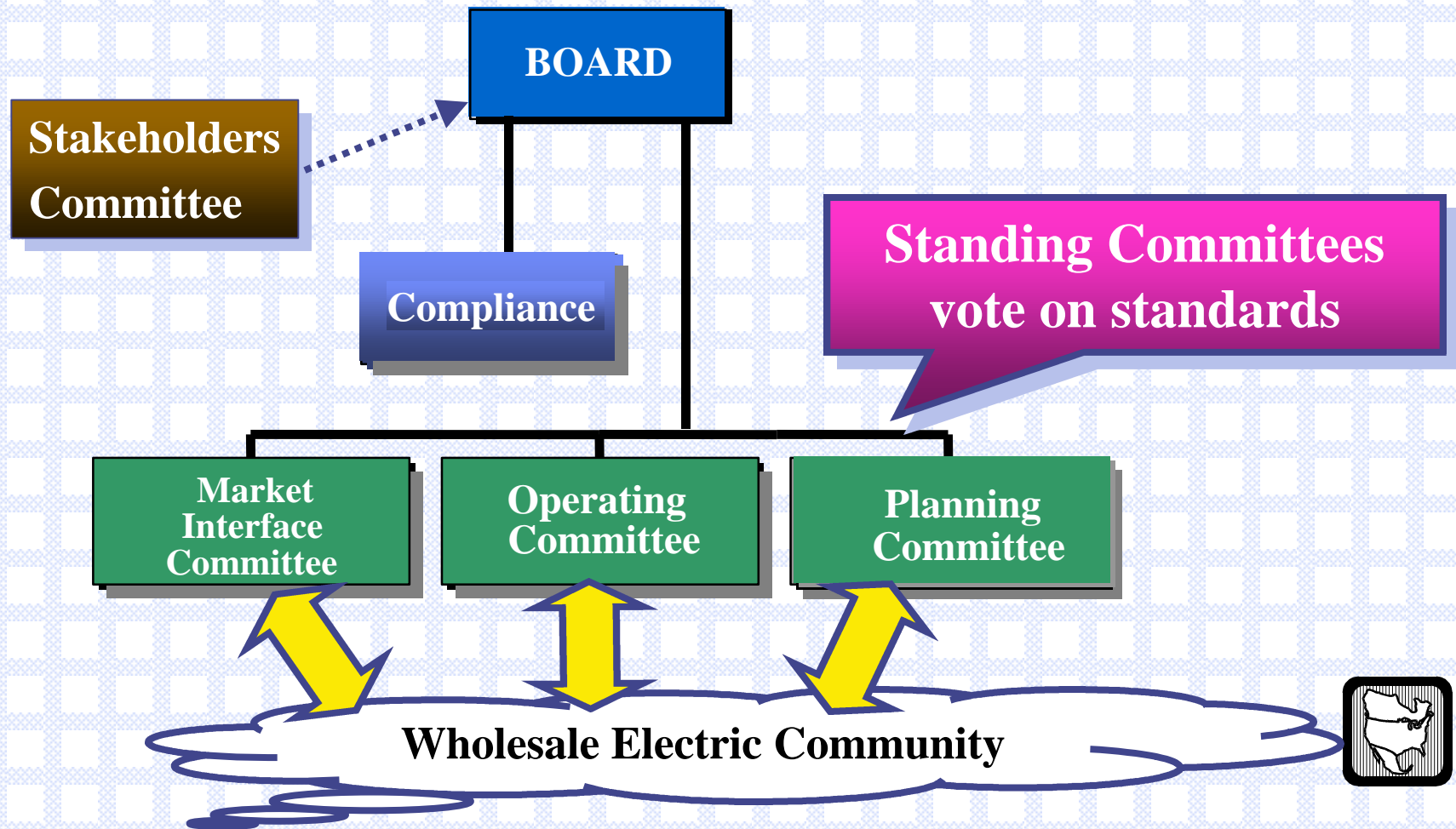
One-Stop Shop for Developing Wholesale Electric Standards

NERC Presentation at
Industry Forum on the Consideration of an
Energy Industry Standards Board

December 7, 2001



NERC - Today



Industry changes ...

- ◆ Inseparability of Reliability and Markets
- ◆ FERC Actions re RTOs
- ◆ NERC involvement in Market Interface and Business Practice issues
- ◆ Proposal to form EISB
- ◆ Industry SRRO



NERC Board asked ...

What should be NERC's role in developing market interface and commercial practice standards?



Task Force charged to ...

Examine and prepare recommendations on the evolution of representation on NERC/NAERO standing committees, and their subgroups, including what "balance" means today and moving forward.



Key Features of Task Force's Initial Recommendations

- ◆ Transition to segment-based, weighted voting on standards
- ◆ Establish stakeholder voting body
- ◆ Nine segments; balanced voting
- ◆ Become "one-stop shop" for reliability rules and business practice standards



Wholesale Electric Standards Model

- ✓ Registered Ballot Body
- ✓ 9 Initial Segments
- ✓ Standards Authorization Committee
- ✓ Weighted Segment Voting
- ✓ Standards Drafting Groups
- ✓ 2/3 majority vote
- ✓ Process responsive/adaptive to change
- ✓ Relationship with EISB



Initial Segments

- ◆ Transmission Owners
- ◆ RTOs, ISOs, Regional Reliability Councils
- ◆ Electric Generators
- ◆ Transmission dependent utilities
- ◆ Load-serving entities
- ◆ Marketers, brokers, aggregators
- ◆ Large end-use customers
- ◆ Small end-use customers
- ◆ Federal, state, and provincial regulators



Segment Guidelines

- ◆ Opportunity for all interested parties to participate
- ◆ Entity self-selects one segment for which it qualifies
- ◆ All who register can vote on standards
- ◆ Affiliates and related parties may belong to separate Segments
- ◆ Entities may change segments annually
- ◆ Segments and procedures reviewed periodically to guard against “stacking”



Weighted Segment Voting ...

- ◆ Each member of each segment gets one vote.
- ◆ Votes weighted by the number of members voting in the segment.
- ◆ Each Segment's votes are weighted by the number of segments.
- ◆ 2/3 majority of the weighted segment votes required to approve a standard.



Criteria for Approval ...

$$\frac{\sum_{s=1}^n \{ \text{Yes} / (\text{Yes} + \text{No}) \}}{n} > 0.667$$

$$\frac{\text{Ballots Returned}}{\text{Total Ballot Pool}} > 75\%$$



Example of Weighted Voting

Segment	Ballot Pool	Affirmative		Negative		Abstain	No Ballot
		# votes	fraction	# votes	fraction		
1	250	200	0.833	40	0.167	10	0
2	20	15	0.750	5	0.250	0	0
3	100	60	0.632	35	0.358	5	0
4	75	50	0.714	20	0.286	0	5
5	20	7	0.412	10	0.588	2	1
6	10	6	0.600	4	0.400	0	0
7	1	0	n/a	0	n/a	1	0
8	10	0	n/a	0	n/a	0	10
9	10	8	0.800	20	0.200	0	0
Total	496	346		116		18	16
Ballots	480	96.77%					
Wtd Vote		0.677		0.323			

Standard is Approved



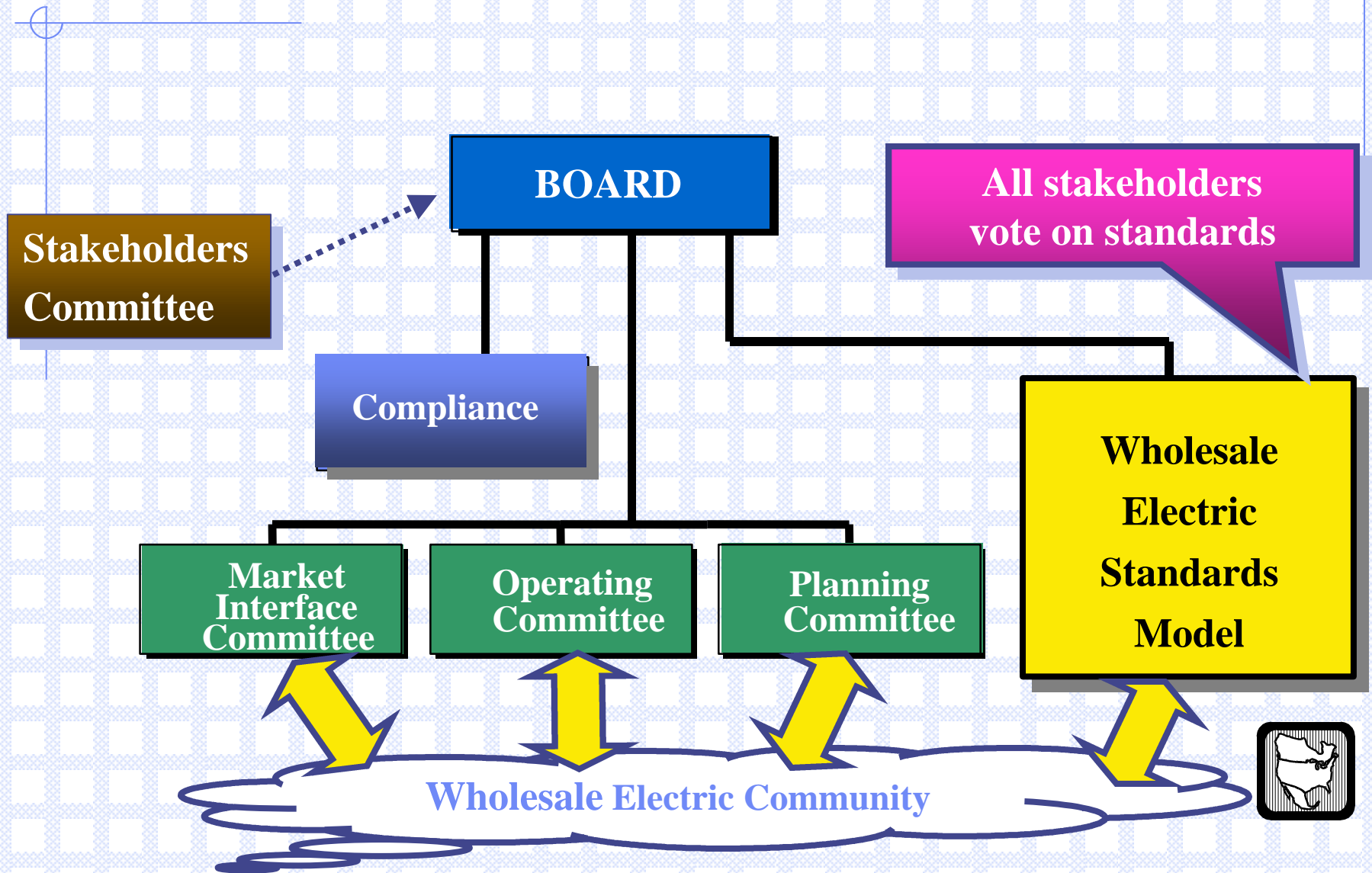
Example of Weighted Voting

Segment	Ballot Pool	Affirmative		Negative		Abstain	No Ballot
		# votes	fraction	# votes	fraction		
1	100	25	1.000	0	0.000	0	75
2	20	15	0.750	5	0.250	0	0
3	50	30	0.600	20	0.400	0	0
4	50	25	0.833	5	.0167	0	20
5	25	18	0.783	5	0.217	2	0
6	10	6	1.000	4	0.400	0	0
7	4	4	1.000	0	0.000	0	0
8	5	5	1.000	0	0.000	0	0
9	15	7	1.000	0	0.000	5	3
Total	279	135		39		7	98
Ballots	181	64.87%					
Wtd Vote		0.841		0.159			

Standard is NOT Approved

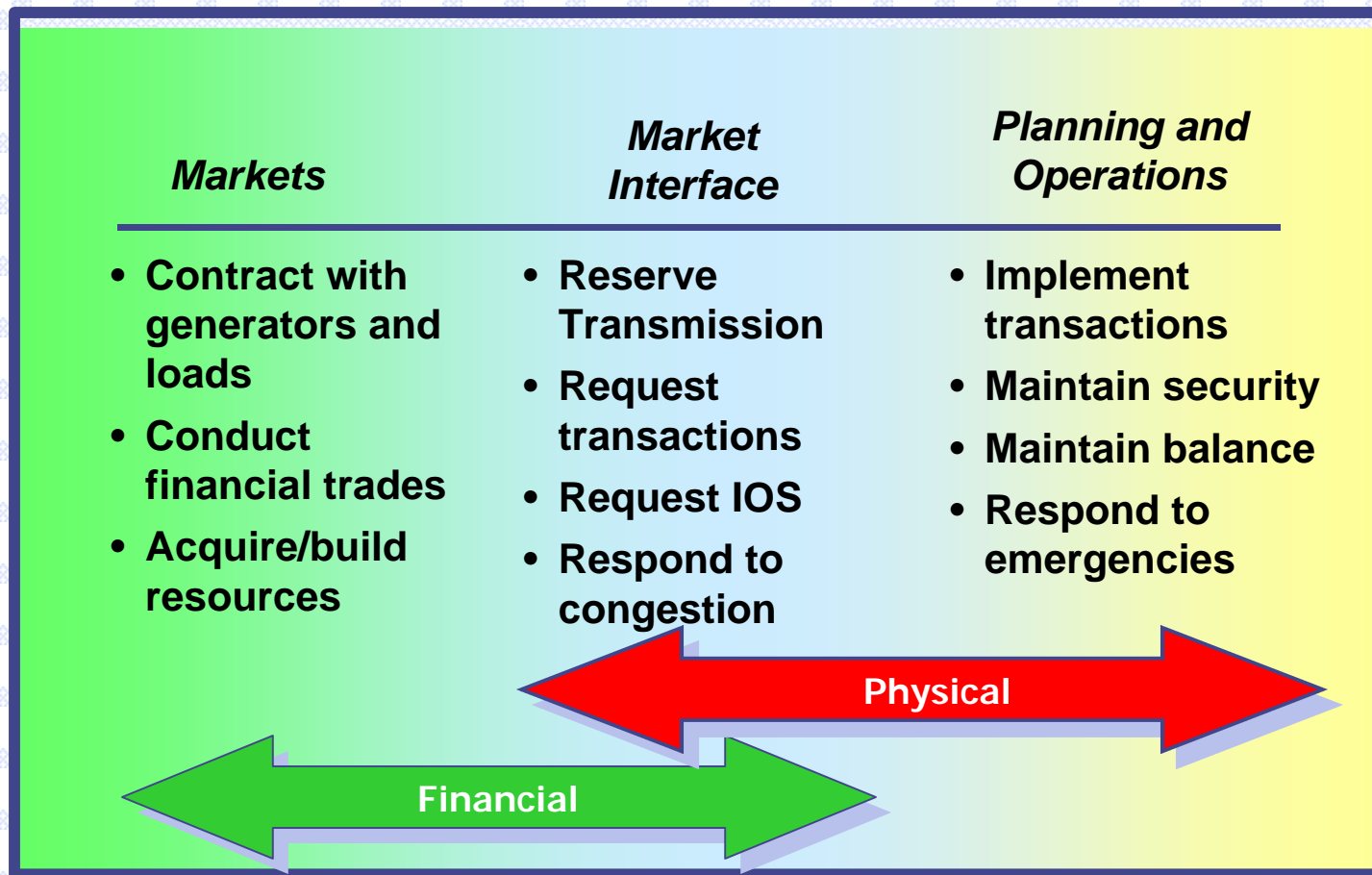


NERC – Proposed



Why an Expanded Role for NERC ...

One-Stop Shop for all Wholesale Electric Standards

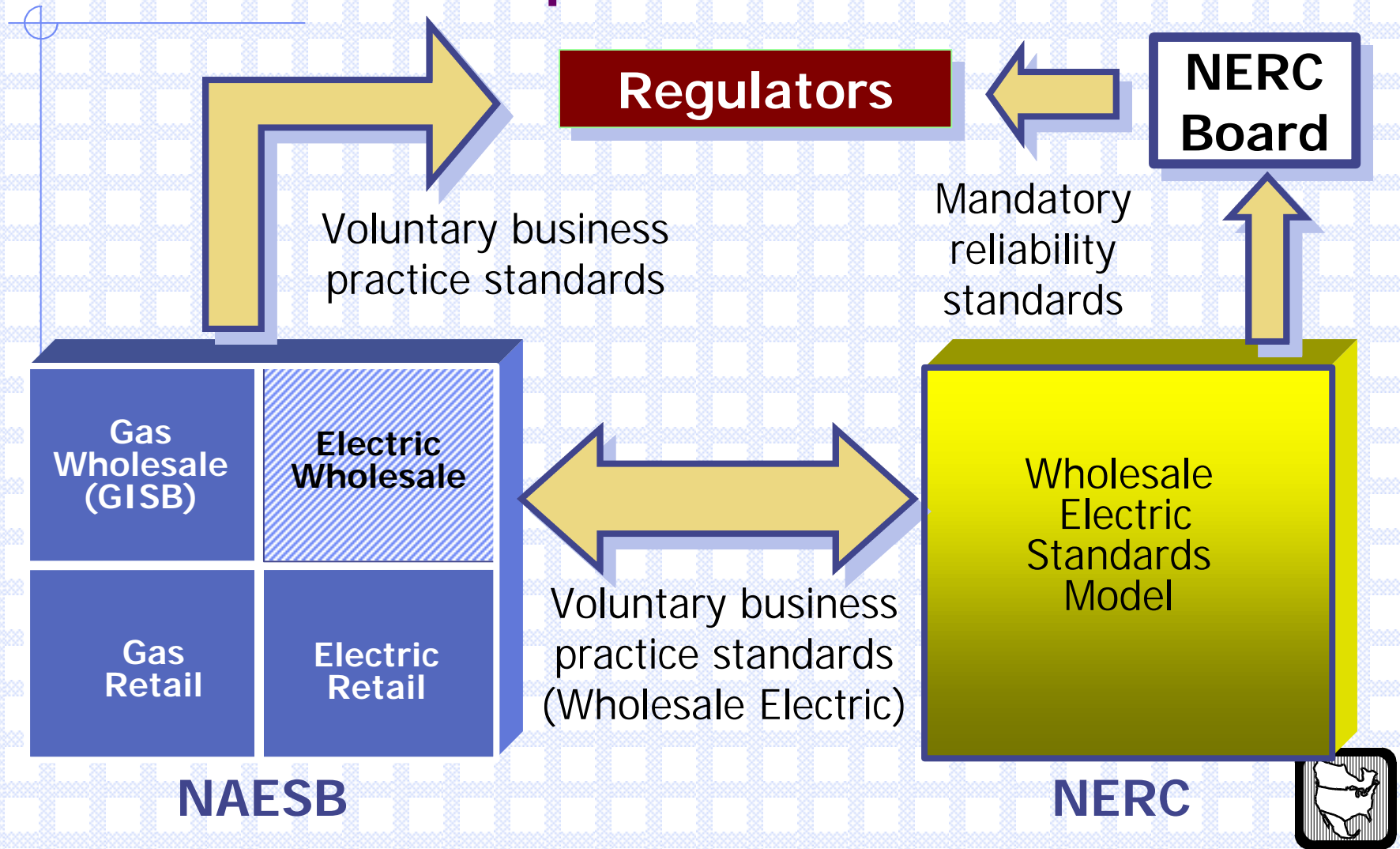


Effectiveness of Standards ...

- ◆ Mandatory Reliability Standards
 - Balancing Authorities
 - Reliability Authorities
 - Interchange Authorities
 - Transmission Service Providers
 - Transmission Operators
- ◆ Voluntary Business Practice Standards
 - Purchasing – Selling Entities
 - Generators
 - Load Serving Entities



Potential NAESB – NERC Relationship



Timetable



- ◆ Dec 4 Request for comments on WESM proposal
- ◆ Dec 7 DOE Workshop
- ◆ Jan 8 Public comments due
- ◆ Jan 15 Task Force finalize recommendations
- ◆ Feb 1 Final recommendations to SHC, BOT
- ◆ Feb 19/20 SHC/BOT Meetings
- ◆ Mar 1 Begin implementation



Questions?

