

North American Energy Standards Board

Industry Forum on Standards in the Wholesale Electric Quadrant

Sponsored by the U.S. Department of Energy
December 7, 2001

Presented By William Boswell, Chairman NAESB
Dominion, McGuireWoods. L.L.P

North American Energy Standards Board Process For Standards Development

- ❖ **Focused on Common Business Practices and Technical Guidelines**
- ❖ **Broadly Endorsed by the Industry**
- ❖ **That Provide Conformity**
- ❖ **Which Yield More Efficient and Effective Transactional Processes**

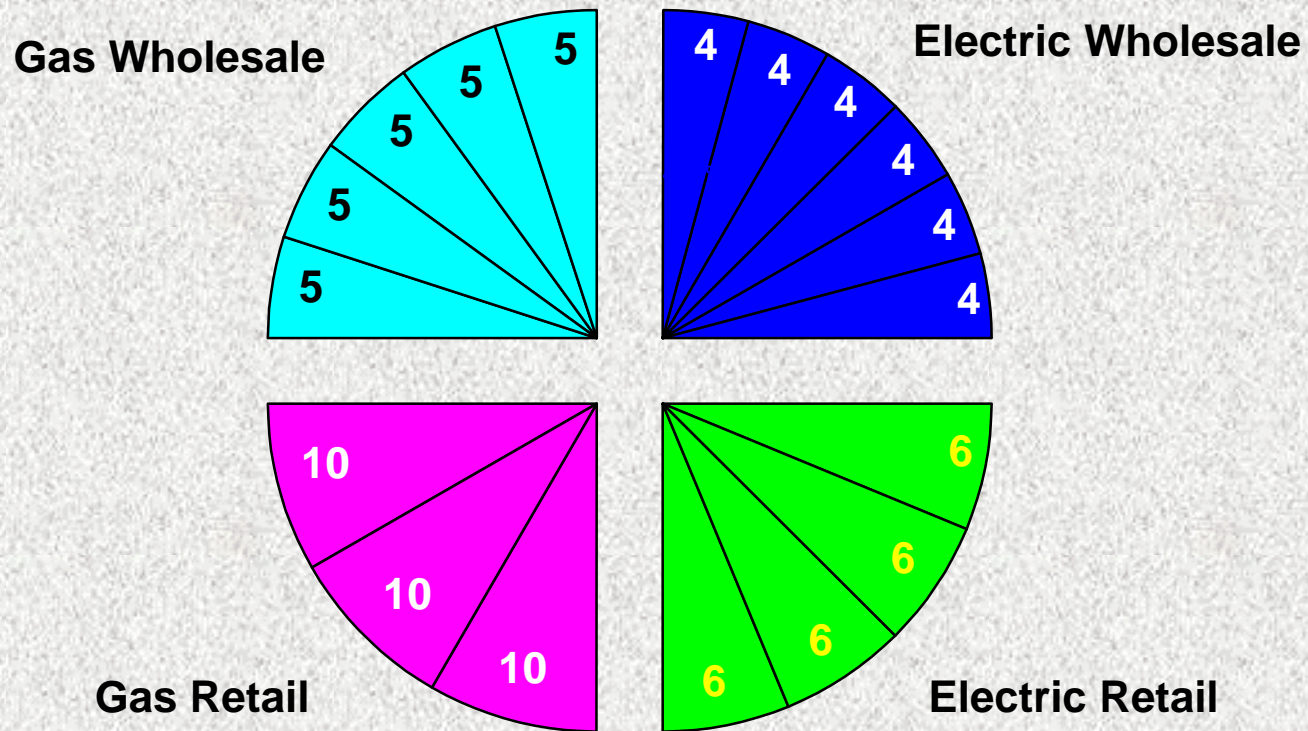
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Founding Principles

- ❖ Inklusivity
- ❖ Flexibility
- ❖ Structural Protections
- ❖ Process Orientation
- ❖ Effectiveness
- ❖ Credibility

North American Energy Standards Board Quadrant Organization - Structure

Board of Directors and Executive Committee



North American Energy Standards Board Wholesale Gas Quadrant Segments

The Wholesale Gas Quadrant is organized into 5 Segments:

- ❖ Producers, Pipelines, Services, Distribution, End Users
- ❖ Each Segment has 5 representatives on the Board and Executive Committee
- ❖ There are currently 155 corporate members of the Wholesale Gas Quadrant

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Retail Gas Quadrant Segments

The Retail Gas Quadrant as currently envisioned, will have 4 segments:

- ❖ **Suppliers :** Companies, other than distributors, engaged in the sale of natural gas and/or pipeline capacity, including marketers (retail, wholesale, aggregators), producers, asset managers and pipelines.
- ❖ **Distributors:** Companies engaged in the regulated local distribution of natural gas, including organizations primarily representing the retail interests of small municipal utilities (e.g. APGA).
- ❖ **End Users:** Companies and individuals that consume natural gas, including consumer advocacy organizations and retail customer groups.
- ❖ **Service Providers:** Companies and individuals that provide services to the participants in the retail natural gas industry, including equipment manufacturers, equipment and service vendors, software providers, energy consultants and other companies not otherwise declared in any other segment.

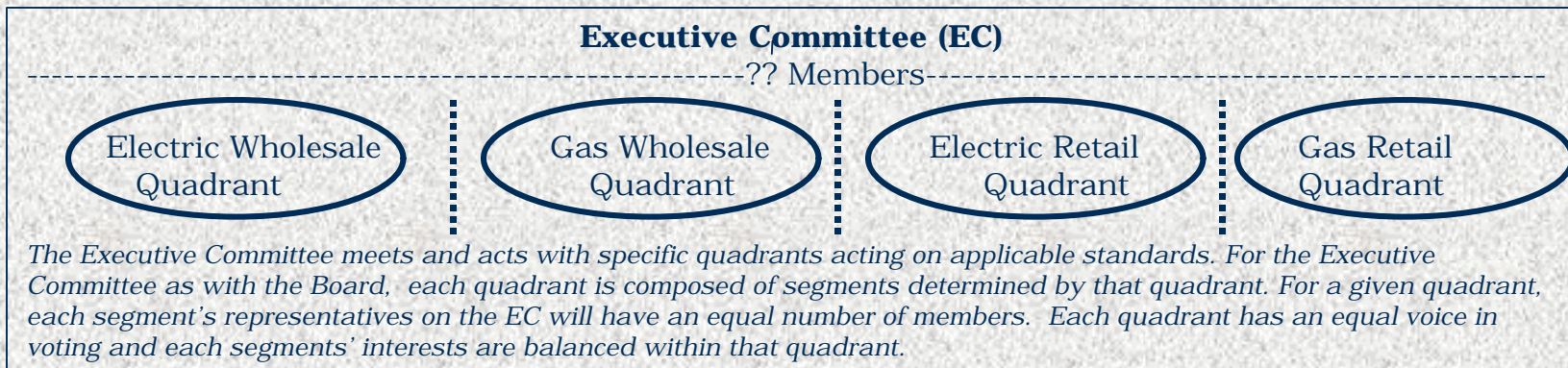
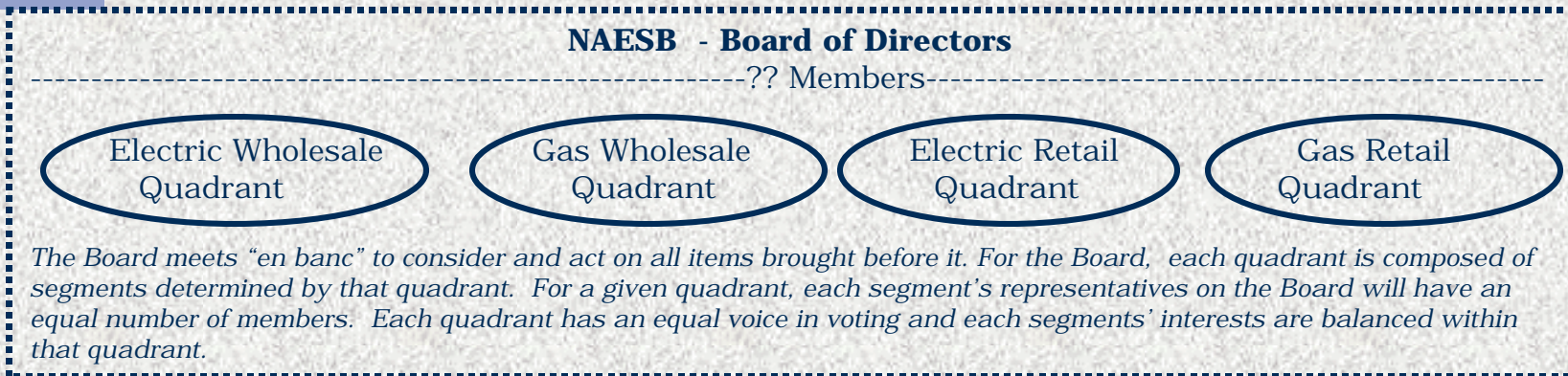
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Retail Electric Quadrant Segments

The Retail Electric Quadrant as currently envisioned, will have 4 segments:

- ❖ **Suppliers** : Those companies engaged in the competitive sale of electricity to end-users, including energy service providers and marketers.
- ❖ **Distributors**: Those companies engaged in the local distribution of electricity
- ❖ **End Users**: Companies and individuals that consume electricity .
- ❖ **Service Providers**: Companies and individuals that provide services to participants in the retail electric industry, which include equipment manufacturers, equipment vendors, software providers, consultants and other companies not otherwise declared in any other segment.

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Governance and Autonomy of Quadrants

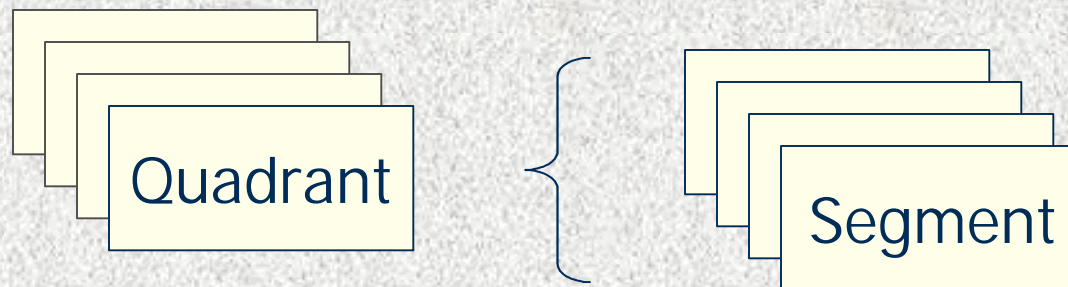
Whole Organization

- ❖ Follows founding principles
- ❖ Follows Voting Requirements
- ❖ Process for Developing Standards

Quadrant Specific Governance

- ❖ Determines Segment Makeup
- ❖ Sets own pace for standards development
- ❖ Determines which standards apply to them

North American Energy Standards Board Governance and Autonomy of Quadrants



Each Quadrant cannot by itself:

- ❖ Create Quadrant processes inconsistent with NAESB principles or bylaws
- ❖ Approve standards requiring multi-Quadrant approval

North American Energy Standards Board Standards Development and the Annual Plan

❖ Annual Plan

- ❖ **Members and Interested Industry**
Participants determine scope and priority of standards work by quadrant
- ❖ **Quadrant Annual Plans are prepared and submitted to the Board for approval**
- ❖ **Only standards development pursuant to the AP or requests is undertaken**

North American Energy Standards Board Standards Development Tenets

- ❖ Standards development based on an Annual Plan
- ❖ Balanced voting structure at EC and subcommittees
- ❖ Multiple opportunities for involvement and comment
- ❖ Defined process for standards development with several tiers of voting to ensure broad based support

North American Energy Standards Board Voting Rules

- ❖ **Voting Rules**
 - ❖ **Business subcommittees utilize a "balanced" segment voting process to forward recommendations on standards development**
 - ❖ **Voters are not required to be members in subcommittees**
 - ❖ **Executive Committee approval requires a "super-majority"**
 - ❖ **Membership ultimately ratifies all standards development**

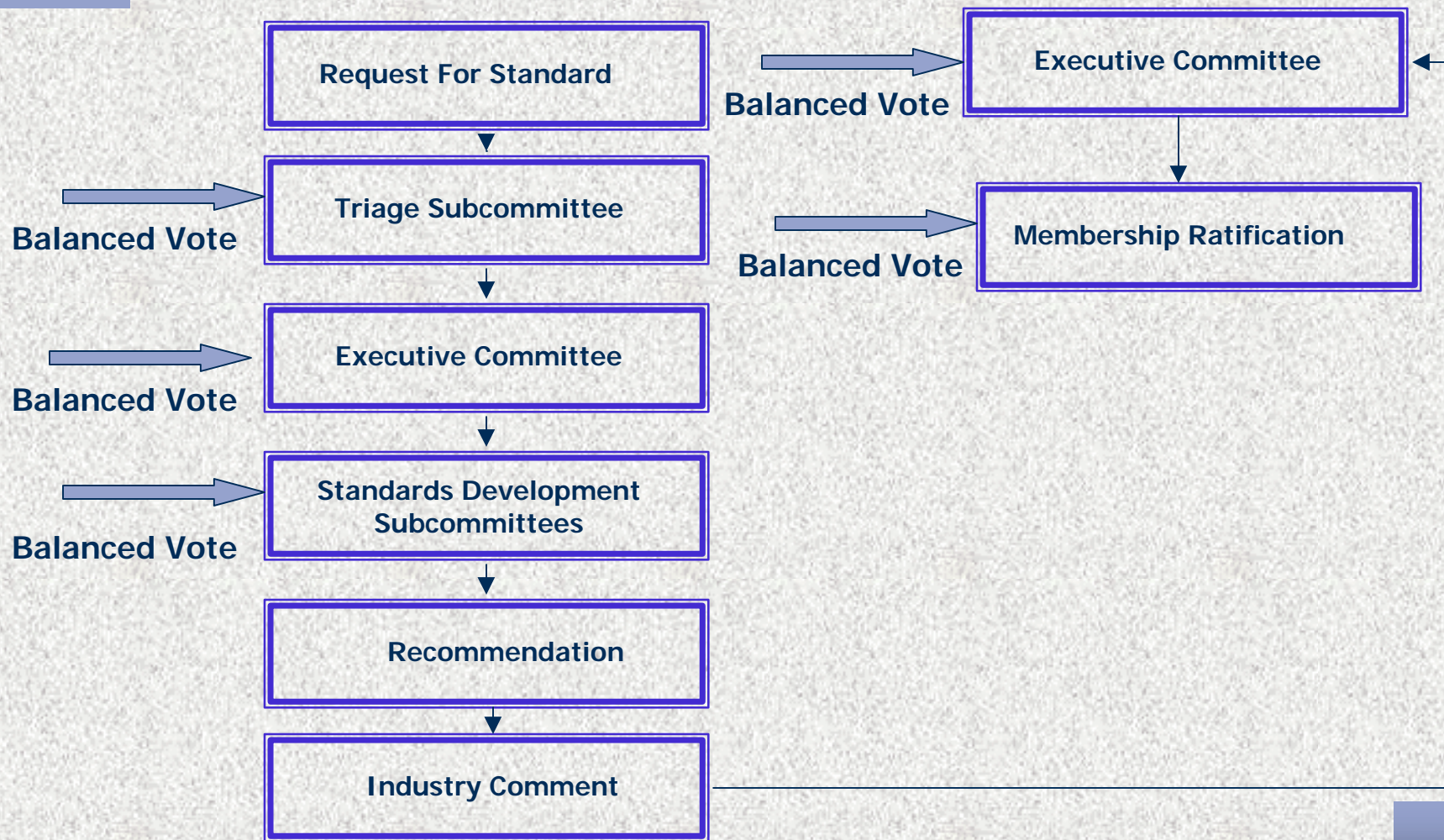
North American Energy Standards Board Voting Rules

Board of Directors -- (governance)	75% of each quadrant 40% of each segment
Executive Committee -- (standards)	67% of each quadrant 40% of each segment
Subcommittees -- (proposed standards)	50% Balanced Across Segments of each quadrant balanced voting in the segments**

**** Each segment has up to two votes apportioned equally over those segment attendees present; one company – one vote**

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A "Day in the Life" of a Standard



NAESB

Friday, December 7, 2001

North American Energy Standards Board Joint Development, Reconsideration

- ❖ The structure provides flexibility for quadrants to jointly develop standards in two ways:
 - ❖ When the EC determines from the request that it is in their best interest to do so, they jointly develop the standards
 - ❖ When EC Quadrants other than those to which the request was assigned determine from the subcommittee's recommended standards that such standards could apply to them, they reconsider the recommended standards to determine if changes are needed for their quadrant's needs.

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Voluntary Nature of Standards

❖ Voluntary Standards

- ❖ From the organization's perspective, all standards are voluntary and may be provided to regulatory agencies as status reports as they are published.
- ❖ Regulatory agencies may choose to adopt standards.
- ❖ The organization will not monitor for compliance, provide performance measures for compliance, nor will it define sanctions for non-compliance.
- ❖ The organization will not advocate.

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Next Steps

- ❖ December 5 – Board Meeting during which Bylaws were adopted
- ❖ December 7 – Industry Meeting held at the DOE to determine wholesale electric quadrant structure
- ❖ December 31, 2001 – Certificate of Incorporation filed to be effective January 1, 2002.
- ❖ December to March, 2002 – support activities to populate quadrants.
- ❖ First Quarter 2002 – Elections held in the active quadrants to determine Board and EC members.
- ❖ March 2002 – First Board meeting of the new organization.

North American Energy Standards Board

How to Find Out More Information

- ❖ **Web Site : www.gisb.org**
 - ❖ **Bylaws, Strawman, Certificate for NAESB**
 - ❖ **Comments, Board minutes, EC Minutes, How to order Transcripts.**

- ❖ **Contact Information**
 - ❖ **Phone – 713-356-0060**
 - ❖ **Fax – 713-356-0067**
 - ❖ **Email – gisb@aol.com**