

North American Energy Standards Board

Bylaws Addendum

Exhibit 2

Wholesale Electric Quadrant Procedures

Section 1 Definitions

1.1 Definitions Included In NAESB Bylaws

All capitalized terms, if not defined in Section 1.2, shall have the same definitions as specified in the Bylaws or Certificate of Incorporation of NAESB.

1.2 Definitions for the Purposes of this Exhibit

- A. "EC Member" means a Member or its representative serving on the EC.
- B. "Entity" means a person or organization who is a member of the WEQ.
- C. "NAESB Office" means the administrative office of the Secretary of NAESB.
- D. "NERC" means the North American Electric Reliability Council.
- E. "WEQ" means the Wholesale Electric Quadrant.
- F. "WEQ Designated Alternates" mean the group of individuals selected by each WEQ Segment Membership to serve in the stead of WEQ EC representatives who are unable to attend EC meetings.
- G. "WEQ EC" means the Executive Committee of the WEQ.
- H. "WEQ Membership" means the Voting Members of the WEQ collectively.
- I. "WEQ Segment" means one of six (6) co-equal membership Segments of the NAESB Wholesale Electric Quadrant, representing the following *functions* that exist in the operation of the wholesale electric industry: **End-Use Consumption/Customer Interests; Distribution/Load-Serving Entity; Transmission/Owner-Provider; Power Generation; Power Marketing/Risk Management; Grid-Market Operations/Reliability.**
- J. "Segment Membership" means the Segment Members collectively.
- K. "Segment Procedures" means the procedures attached to this document as exhibits for each of the Segments, as amended.

Section 2 Purpose, Scope, Activities and Policies

2.1 Purpose, Scope and Activities

A. Purpose

The purpose of the WEQ of the North American Energy Standards Board (NAESB) is to propose, evaluate and adopt electric energy industry standards and practices that facilitate reliable bulk power grid operations and efficient wholesale power market operations. Such standards and practices development is to be done in a manner balances all interests in an equitable manner. In so doing, the WEQ will serve as the vehicle for unifying the commercial and reliability dimensions of electric energy industry standards.

B. Scope and Activities

The WEQ is concerned with and generally tasked to address issues and practices that are within the scope of NAESB and appropriate to bulk power grid operations and wholesale power market operations. Specifically, the WEQ focuses its attention on how reliability and business practice standards, and related communications protocols, can be promulgated and implemented in a manner that harmonizes grid security and efficient wholesale market operations. The quadrant's activities further encompass standards development that embraces the necessary linkage between core reliability policies and ongoing business practices associated with grid operations and wholesale power markets.

The WEQ shall work closely with other NAESB Quadrants to strive for consistency where proposed Standards and Model Business Practices affect those other Quadrants. The WEQ will also serve as the formal coordination link between NAESB and the NERC in terms of integrating reliability policies and business practice standards, and related communications protocols.

2.2 Policies

The Wholesale Electric Quadrant shall comply with the policies and procedures laid out in the Bylaws and the Certificate of Incorporation of NAESB. The WEQ also is responsible for ensuring that core reliability standards developed by NERC are effectively incorporated into the process of developing commercial business practice standards.

2.3 Segment Organization and Membership Requirements

The WEQ Segment organization operates under the following principles:

- The segment structure and composition should support an efficient standards development process that includes appropriate remedies for appeal.
- All interested persons with a direct interest in wholesale electric industry standards and operations are eligible for participation as voting members in one of the following segments provided they meet the respective definitional requirements outlined below.
- All segments represent functional activities associated with the wholesale electricity market.
- Prospective members shall declare the segment with which they are to be identified.
- Each segment shall have a set of operating procedures that shall be incorporated into, but subordinate to, these WEQ procedures.
- A member shall have the opportunity to change segments annually, at the beginning of each calendar year, provided that the member meets the new segment requirements.

A. End-Use Consumption/Customer Interests

Persons that consume electricity; any entity that is eligible to receive electric energy at wholesale; and entities that represent customer interests, including: trade organizations; persons who regulate electricity sales at the retail level; persons who are elected state officials; persons who advocate on behalf of consumer interests; or persons who work in state energy offices.

B. Distribution/Load-Serving Entity

Any entity primarily engaged in the activity of delivering electric energy to wholesale and/or end-use customers, including persons engaged in the local distribution of electricity and in merchant sales of electricity to end-use customers – e.g., load-serving entities such as utility distribution companies, electric cooperatives, municipal electric authorities, transmission-dependent utilities; public utility districts and other public power entities, and competitive retail companies.

C. Transmission Service/Owner-Provider

Any entity primarily engaged in the activity of owning bulk transmission facilities, and/or providing transmission service to customers of the North American bulk power system – e.g. transmission-owning utilities, for-profit transmission-only companies, non-profit/publicly owned transmission entities.

D. Power Generation

Any entity that is primarily engaged in the activity of owning and/or operating electric generation facilities and that has no operational control over significant transmission facilities on the North American bulk power grid – e.g. state or municipally regulated utility generation; merchant generation companies; not-for-profit wholesale generation companies.

E. Power Marketing/Risk Management

Any entity that is primarily engaged in the activity of buying and selling electric energy at the wholesale level and that has no operational control over significant transmission facilities on the North American bulk power grid – e.g. power marketers; entities that provide risk management services on behalf of themselves and/or their LSE or end-use customer clients; brokers; municipal or for-profit load aggregators.

F. Grid-Market Operations/Reliability]

Any entity that provides technical services or support to wholesale power industry operations, including bulk power grid operations and wholesale market operations – e.g. RTOs, ISOs, NERC Regional Reliability Councils, equipment manufacturers; equipment vendors; operating system and software providers; utility, economic, financial or market operations consultants; other companies or individuals not otherwise eligible for membership in another Segment who provide technical services to the industry.

[There are no additional requirements in these procedures other than those stated in Sections 3.1 – Offices and 4.1 – Seal of the NAESB Bylaws]

Section 5 Members**5.1 Voting Members**

Membership and voting rights in the WEQ of NAESB shall be open to any Entity that meets the following requirements:

A. Business Interest

The Entity has a significant business interest¹ in the wholesale electric market (or is a representative or Agent of such person) – as determined by a simple majority of the Segment Membership, if challenged.

B. Authority

Representatives designated by any Entity in any Segment should have the authority to represent the interests of the Entity seeking to be a Segment Member.

¹ As used in this section, "significant business interest" specifically includes the interests of statutorily appointed consumer advocates.

C. Multiple Memberships Per Quadrant

Memberships in multiple Segments of the WEQ are permissible for any Entity, provided each membership is filed and declared with NAESB, the Entity meets the membership requirements of each Segment joined, membership dues are paid for each Segment and different company personnel are used for each segment's activities.

D. Memberships Per Segment

Only one membership per Segment is permissible for any Entity.

E. Multiple Corporate Memberships

Multiple companies under common control within a corporate organization that desire to become Members must join individually. Members cannot extend their membership to their parent company, affiliates, or subsidiaries.

F. Trade Associations

The Entity may be a trade association, or an advocacy group representing a group of prospective members, provided that the trade association or advocacy group meets the requirements defined by its declared Segment in Segment Procedures.

¹ As used in this section, "significant business interest" specifically includes the interests of statutorily appointed consumer advocates.

[There are no additional requirements in these procedures other than those stated for Sections 5.2-Non-Voting Members, Section 5.3-Nontransferable Membership, and Section 5.4-Resignation, of the NAESB Bylaws]

5.5 Removal of Members

Segment Members who do not have a significant business interest pertaining to the descriptions contained in Section 2.3 may be removed from Segment Membership by a simple majority vote of their declared Segment Membership.

Section 6 Meetings of the Members – Addendum to NAESB Bylaws-Article 6

All meetings held in association with the NAESB organization, or the WEQ, are open to any interested person. From time to time, there may be joint meetings of the WEQ with other Quadrants within NAESB, and Segments may meet jointly to transact Quadrant business.

Section 7 Board

7.1 Board Representation

The WEQ shall elect Directors to the Board from each Segment in accordance with Segment Procedures.

7.2 Qualifications of Directors

A. Eligibility

To be eligible to serve as a representative on the NAESB Board of Directors, the Member or its representative must:

1. be willing to commit the time and resources necessary,
2. have the authority to fulfill the obligations as a WEQ Director, and
3. be willing to meet the minimum threshold of participation and attendance established in the NAESB Bylaws, Section 9.7(f), and any other applicable provisions, as set forth in the NAESB Bylaws.

B. One Member, One Seat Per Quadrant

No two Directors elected by the WEQ may be employees of the same Member holding membership in multiple Segments within the Quadrant. This restriction does not prohibit election of two Directors from two affiliated companies within a holding company having individual Member status, or from two companies with a parent-subsidiary relationship, provided that the two Directors from companies with such a relationship represent Members of different Segments.

C. One Office Per Member Representative

Directors elected from the WEQ may not hold both a Board seat and a seat on the WEQ EC at any point in time. If a WEQ EC Member is elected as a Director from the WEQ, the WEQ EC seat is vacated when the Board seats the EC Member as a Director.

7.3 Number and Election of Directors

A. Number of Directors

The WEQ shall elect twelve (12) NAESB Directors, subject to the provisions of Section 19 of these Procedures. Each Segment of the Quadrant will elect two (2) Directors, subject to the provisions of Section 19 of these Procedures.

B. Election of Directors

Nominations for and election of all Directors will be in accordance with Segment Procedures, as follows:

In preparation for any election of NAESB Directors (other than initial Directors, as provided for in Section 19),

1. A nominating committee of six WEQ EC Members of the WEQ consisting of one Member from each Segment, plus the WEQ EC Vice Chair, shall identify a slate of potential candidates from the Segment Membership.
2. Other nominations may be made at, or prior to the close of the WEQ nomination period, by any Segment Member eligible to serve on the Board of Directors, by submitting the candidate names to the NAESB Office in a form as specified in NAESB Operating Procedures, if such requirements exist.
3. All nominations must be made and conveyed in writing to the NAESB Office no less than 30 days prior to the election date.

7.4 Term of Office

A. Terms

Directors shall be elected for two-year terms, with half of the terms expiring in alternating years.

1. One Director will be elected from each Segment each year to fill expiring terms.
2. Group A Director terms will expire in odd numbered years.
3. Group B Director terms will expire in even numbered years.
4. Term expiration will be in conjunction with the end of the operating year of NAESB or as otherwise defined by the Board, Certificate of Incorporation or Bylaws, as amended.

B. Limit on Number of Terms of Office

Directors elected from the WEQ may run for re-election without restriction on the number of terms held.

C. Change of Affiliation

In the event that the Director

1. changes affiliation to another Member within the same industry Segment, the Director's term will continue until its natural expiration, provided that there is no other Director already representing the Director's new affiliation, in which case the Director changing affiliation will vacate the seat for election of a new Director;

2. is no longer affiliated with the electing industry Segment, the Director will vacate the seat for election of a new Director.

7.5 Vacancies

In the event that a Director resigns or otherwise vacates the Board seat, and more than 120 days remain in the term of office, the Segment will hold an election within 60 days to fill the vacant seat.

7.6 Removal of Directors

In addition to being subject to removal from office by the NAESB Board of Directors, Directors may also be removed from office for cause. The WEQ Segment shall give the Director at least a 30-day notice of the proposed action and an opportunity to respond. A 67% majority of the applicable WEQ Segment Membership shall be required to remove a Director. The vacant seat is to be refilled in accordance with the requirements of Section 7.5.

[There are no additional requirements in these procedures other than those stated in Articles 8-Officers and 9-Meetings of Directors, of the NAESB Bylaws]

Section 10 Executive Committee

10.1 EC Representation

The WEQ shall have an Executive Committee (WEQ EC), which shall also participate in the larger NAESB EC. The WEQ shall elect representatives to the WEQ EC from each Segment in accordance with Segment Procedures.

10.2 Qualifications of EC Members

A. Eligibility

To be eligible to serve as an EC Member, the Member's representative must

1. be willing to commit the time and resources necessary,
2. have the authority to fulfill the obligations as an EC representative, and

3. be willing to meet the minimum threshold of participation and attendance established in the NAESB Bylaws, Section 10.4(j), and any other applicable provisions, as set forth in the NAESB Bylaws.

B. One Member, One Seat Per Quadrant

No two EC Members elected by the WEQ may be employees of the same Member holding membership in multiple Segments within the Quadrant. This restriction does not prohibit election of two EC Members from two affiliated companies within a holding company having individual Member status, or from two companies with a parent-subsidiary relationship, provided that the two EC Members from companies with such a relationship represent Members of differing Segments.

C. One Office Per Member Representative

Directors elected from the WEQ may not hold both a Board seat and a seat on the WEQ EC at any point in time. If a WEQ EC Member is elected as a Director from the WEQ, the WEQ EC seat is vacated when the Board seats the EC Member as a Director.

10.3 Number and Election of EC Members

A. Number of EC Members

The WEQ shall elect twenty-four (24) EC Members, subject to the provisions of Section 19 of these Procedures. Each Segment of the Quadrant will elect four (4) EC Members, subject to the provisions of Section 19 of these Procedures.

B. Election of EC Members

Nominations for and election of all EC Members will be in accordance with Segment Procedures, as follows:

In preparation for any election of EC Members, other than initial EC Members as provided for in Section 19),

1. A nominating committee of five EC Members of the WEQ consisting of one Member from each Segment, plus the EC Vice Chair, shall identify a slate of potential candidates from the Segment Membership.
2. Other nominations may be made at or prior to the close of the WEQ nomination period by any Segment Member eligible to serve on the EC by submitting the candidate names to the NAESB Office in a form as specified in NAESB Operating Procedures, if such requirements exist.
3. All nominations must be made and conveyed in writing to the NAESB Office no less than 30 days prior to the election date.

C. Timing of Elections

Subject to the provisions of Section 19, election of EC Members shall occur in the same month for all Segments of the WEQ, and shall be coordinated by the NAESB Office.

D. Chair Rotation

The WEQ EC shall elevate the prior-year Vice Chair of the WEQ EC to Chair of the WEQ EC at its first meeting in the new operating year, and shall elect a new Vice Chair. If the Vice Chair is vacant at the time of the first meeting of a new operating year, both a Chair and Vice Chair will be elected.

E. Meeting Minutes

In the event that an individual from the NAESB Office is unavailable to take minutes, the Chair of any WEQ EC meeting will designate an individual to take minutes and forward them to the NAESB Office.

10.4 Term of Office

A. Terms

EC Members shall be elected for two-year terms, with half of the terms expiring in alternating years.

1. Subject to the provisions of Section 19, two EC Members will be elected from each Segment each year to fill expiring terms.
2. Group A EC Member terms will expire in odd numbered years.
3. Group B EC Member terms will expire in even number years.
4. Terms of office will end in conjunction with end of the operating year of NAESB or as otherwise defined by the Board of Directors, Certificate of Incorporation or Bylaws, as amended.

B. Limit on Number of Terms of Office

EC Members from the WEQ may run for re-election without restriction on the number of terms held.

C. Change of Affiliation

In the event that the EC Member:

1. changes affiliation to another Member within the same industry Segment, the EC Member's term will continue until its natural expiration, provided that there is no other EC Member already representing the EC Member's new affiliation, in which case the EC Member changing affiliation will vacate the seat for election of a new EC Member.
2. is no longer affiliated with the electing industry Segment, the EC Member will vacate the seat for election of a new EC Member.

10.5 Vacancies

In the event that an EC Member resigns or otherwise vacates the seat, and more than 120 days remain in the term of office, the Segment will hold an election within 60 days to fill the vacant seat, and a Designated Alternate will serve until a new EC Member is elected.

10.6 - Removal of EC Members

In addition to being subject to removal from office by the NAESB Board of Directors, EC Members may also be removed from office for cause. The WEQ Segment shall give the EC Member at least a 30-day notice of the proposed action and an opportunity to respond. A 67% majority of the applicable WEQ Segment Membership shall be required to remove an EC Member. The vacant seat is to be refilled in accordance with the requirements of Section 10.5.

10.7 Designated Alternates

A. Authority

Persons presenting themselves at an EC meeting as Designated Alternates will be accepted as a participant provided that:

1. An EC Member from that Segment either indicates to the NAESB Office, EC Chair or Vice Chair that the EC Member will be absent, or is in fact absent and remains absent, and
2. The name of the Designated Alternate is on a list of approved Designated Alternates selected by the appropriate Segment Membership according to Segment Procedures, and is on file with the NAESB Office.

B. Election of Designated Alternates

Each Segment will annually select Designated Alternates according to Segment Procedures.

10.8 EC Meetings

A. WEQ EC Meetings

WEQ EC meetings shall be held at times and locations determined by the Chair or Vice Chair of the WEQ EC. EC Members may participate and vote by means of teleconference or other electronic means unless in-person attendance is required of all EC Members by both the Chair and Vice Chair of the EC, and subject to the attendance requirements of Article 10, Section 10.4(j) of the Bylaws.

B. Joint EC Meetings

In the event that the EC of the WEQ meets jointly with an EC of another NAESB Quadrant, the choice of Quadrant EC Chair presiding over the joint meeting will be determined by the precedence established in the order of rotation of EC Vice Chairs as specified in the NAESB Bylaws.

10.9 EC Subcommittees**A. Establishing Subcommittees & Task Forces**

The WEQ EC shall set up its own subcommittees and task forces to deal with WEQ-specific issues. The WEQ EC may establish voluntary standing subcommittees or special-purpose task forces to perform various functions required of the organization.

1. The WEQ EC will prepare a written statement of the purpose of the subcommittee or task force and the tasks to be performed, name the subcommittee or task force, and appoint a temporary chair.
2. The Temporary Chair will be a Member of the WEQ EC willing to perform the required startup tasks and to continue chairing the subcommittee / task force if elected by the Members at its first meeting.
3. The Temporary Chair shall
 - a) set up the first meeting of the subcommittee or task force.
 - b) prepare a meeting notice that:
 - (i) states the name and purpose of the subcommittee / task force,
 - (ii) solicits participation in the subcommittee / task force, and
 - (iii) announces the agenda for the first meeting.
 - c) post the meeting notice to all Members and non-members via the NAESB website.
 - d) post the notice at least two weeks prior to the meeting date. Shorter time periods for notices of subsequent meetings will be permitted by a 75% vote of the participants attending a duly scheduled meeting.
4. All meeting notices shall be posted on the NAESB website and transmitted in writing, facsimile, or other electronic means to parties who have indicated an interest in the duly scheduled meeting.

B. Meeting Minutes

In the event that an individual from the NAESB Office is unavailable to take minutes, the Chair of any subcommittee / task force meeting will designate an individual to take minutes and forward them to the NAESB Office, which will post them on the NAESB website.

C. Reporting

Each WEQ EC subcommittee or task force will report to the WEQ EC at no less than quarterly intervals, on a schedule to be established by the WEQ EC for as long as the subcommittee or task force exists.

D. Establishment of Initial Sub-Committees

Pursuant to the attached flow diagram, the WEQ will initially establish two standing subcommittees: the Reliability Subcommittee and the Commercial Subcommittee. Each subcommittee will perform the necessary technical review and coordination of standards requests and draft standards regarding their respective areas of expertise: physical grid security and wholesale market operations.

E. Coordination with the North American Electric Reliability Council (NERC)

The WEQ and NERC will work together to ensure the coordinated development of electric energy industry standards and related electronic communications protocols by the WEQ and core reliability policy (“organization standards”) by NERC. This coordination will have two interdependent components: the development of core reliability policy, for which NERC will have primary responsibility, and the development by the WEQ of electric energy industry standards including those necessary to implement NERC’s core reliability policies, for which the WEQ will have primary responsibility, in the context of FERC’s effort to establish competitive wholesale power markets.

While employing separate voting procedures, the WEQ and NERC will coordinate their activities to ensure the proper scope and allocation of responsibilities as described above. To achieve uniformity and consistency, the WEQ and NERC will follow specific coordination elements, including:

1. Notification:
 - a. Each organization will notify the other in a timely manner (to be further defined by the parties) of its anticipated development activity, i.e. core reliability policy development by NERC and electric energy industry standards development by WEQ.
 - b. NERC will notify the WEQ of each proposal to develop a core reliability policy (a “Standards Authorization Request” [SAR] in NERC parlance.)
 - c. The WEQ will notify NERC of each proposal that passes NAESB triage to develop an electric energy industry standard or electronic communications protocol.
 - d. Each organization will notify the other of the relevant comment periods and opportunities to participate in discussions and drafting groups.
 - e. NAESB and NERC will link their standards web sites.
2. Joint Participation:
 - a. Given the extensive overlap of reliability and markets, the WEQ and NERC will need to clarify the generally defined boundaries between them by cooperating in determining the nature and scope of individual core reliability

policy and electric energy industry standards proposals. The objective of this cooperation will be to identify any aspects of proposals for Organization Standards, which are subject to NERC Board oversight and approval, that impact market operations. Accordingly, a special task force of the WEQ EC and NERC's Standard Authorization Committee (SAC) will engage in an initial scoping function regarding proposed SARs. This group shall issue a report specifically outlining the aspects of a SAR that constitutes "core reliability." Disputes that may arise during the WEQ – SAC review process shall be resolved by the Federal Energy Regulatory Commission.

- b. WEQ and NERC may form joint working groups for drafting particular core reliability polices or electric energy standards, or parts of such policies or standards and to convene joint industry workshops and forums for discussion of related items.

[There are no additional requirements in these procedures other than those stated in Sections 11-17 of the NAESB Bylaws]

Section 18 Amendments

In order for these WEQ Procedures to be amended, upon petition of at least five (5) WEQ Members, the Vice Chair of the WEQ EC shall announce a WEQ meeting. Such announcement shall provide for at least a 30-day notice. In order to transact business at the WEQ meeting, there shall be a quorum consisting of at least 33% of the WEQ Membership. Following such meeting, the proposed resolution adopted at the meeting shall be sent out for comment, and the comments shall be distributed to all WEQ Members in advance of a notational vote. Any WEQ Member not choosing to vote shall be considered to have voted in favor of the proposed resolution. In order for a proposed resolution to take effect, it must be approved by at least 67% majority of WEQ Members and 40% of each WEQ Segment's Membership.

Section 19 Transition Procedures

During the initial startup of the WEQ, the Quadrant and Segments may operate with vacant Board and EC seats in a transitional period in accordance with the following provisions.

19.1 Initial Election of Directors

The founding membership of the WEQ will elect no less than one (1) Director per Segment by means that are consistent, to the extent practical, with NAESB

Bylaws and the requirements of Section 7 of these Procedures. Selection of candidates and their election will be by procedures agreed to by consensus or voting methods adopted by the founding group. Such elected representatives will be presented to the NAESB Board for acceptance as Directors of the WEQ. Acceptance by the Board will place all the requirements and restrictions of the Bylaws, including these Procedures, upon those individuals. Elections will be held as needed by any Segment to fill any vacant seats until all four Segment seats are filled for the first time.

19.2 Initial Election of Executive Committee

The founding membership of the WEQ will elect no less than two (2) EC Members per Segment by means that are consistent with NAESB Bylaws and the requirements of Section 10 of these Procedures to the extent practical. Selection of candidates and their election will be by procedures agreed to by consensus or voting methods adopted by the founding group. Such elected representatives will be presented to the NAESB Board for acceptance as representatives of the WEQ. Acceptance by the Board will place all the requirements and restrictions of these Procedures upon those individuals. Elections will be held as needed by any Segment to fill any vacant seats until all four Segment seats are filled for the first time.

19.3 Balanced Voting During the Transition Period

A. Transitional Voting Multiplier

Recognizing that the WEQ Segments might fill their allotted Board and EC seats at varying rates, a Transitional Voting Multiplier mechanism will be used to ensure balanced voting between Segments until all Board and EC seats are filled.

1. During the period when a Segment is initially operating with one or two seats filled, rather than two or four, respectively, each Director or EC Member from the Segment shall be allocated 2.00 votes, so that the weighted votes total two and four, respectively, and are equal to the votes of all other WEQ Segments.
2. Once all of a Segment's seats on the Board or the EC have been populated at least once, the Transitional Voting Multiplier will no longer be needed or used for either the Board or EC (whichever applies). Subsequent vacancies on the Board or the EC will not re-institute use of the Transitional Voting Multiplier mechanism.

B. Application

When non-procedural votes are tallied at NAESB Board or EC meetings, each of the voters present will have their votes weighted by the Transitional Voting

Multiplier applicable to that voter's WEQ Segment. Where applicable, NAESB balanced voting rules will be applied after votes have been weighted. Thus, in the example given in Section 19.3(A), if all representatives from the smaller WEQ Segment vote, the tally of their votes would be 2 and 4, respectively.

Attachment A

**Wholesale Electric Standards
Proposed Consensus Process Diagram**

