

As the Wholesale Electric Quadrant sets out to become a recognized NAESB quadrant, we must become functional as defined by the NAESB By-Laws. The future is uncertain regarding the roles and structure of the wholesale electric industry. Since the WEQ will be setting wholesale electric business standards for the future, it seems wise to include as many relevant entities within broad functional categories for WEQ voting segments. By narrowing the scope of each segment and increasing the number of segments before the WEQ is formulated, we run the risk of not achieving our fundamental purpose (at this time) of establishing the WEQ.

Addressing the concern that the WEQ achieves the NAESB By-Law required segment population quotas, the following four-segment model is respectfully submitted for consideration:

1. Definition of Power Generation Segment
 “Any entity that is engaged in the activity of selling and/or injecting electric power on to the North American bulk power grid.”
2. Definition of Power Transmission Segment
 “Any entity that is engaged in the activity of owning and/or operating electric transmission facilities on the North American bulk power grid.”
3. Definition of Power Consumption Segment
 “Any entity that is engaged in the activity of purchasing and/or consuming electric power off the North American bulk power grid.”
4. Definition of Power Services and State Interests Segment
 “Any entity that is engaged in the activity of providing services to electric wholesale industry or any entity participating in regulatory processes at a state level.”

Please consider the following :

- Fewer, more inclusive segments will reduce the risk of not achieving segment population requirements in the NAESB By-Laws.
- Fewer, more inclusive segments will tend to avoid the “tyranny of the minority”. This proposal will encourage larger membership in each segment. As an example, a narrowly defined segment with only five members (the minimum allowed by the by-laws) could block a decision by having just three individuals within that segment vote against the decision (the 40% affirmation requirement in the by-laws).
- The NAESB By-Laws allow for the existence of sub-segments and allow for the restructuring of a quadrants voting model. As we all gain experience working within the WEQ structures and procedures and as the future unfolds, it may become apparent to the quadrant members that sub-segments would be beneficial or that the segment numbers and definitions need refinement.

At the first WEQ meeting in Houston, attendees narrowly approved a six segment-voting model based on the voting segment names used in the Electronic Scheduling Collaborative’s (ESC) voting model. Please consider the following observations of the ESC’s voting segments:

- The ESC voting model was developed in late 2001 under the paradigms laid out in Order 2000. The WEQ will develop standards consistent with FERC’s SMD paradigms.
- The ESC voting model has only been in effect for two ESC meetings and in both meetings it failed to achieve quorums in two of the six segments.
- The ESC voting model has only been used for matters of governance and procedure – it has not been used for business practice issues.