



North American Energy Standards Board

1100 Louisiana, Suite 3625, Houston, Texas 77002

Phone: (713) 356-0060, Fax: (713) 356-0067, E-mail: naesb@aol.com

Home Page: www.naesb.org

via email and posting

TO: NAESB Members and Interested Industry Participants
FROM: Rae McQuade, Executive Director
RE: Wholesale Electric Quadrant Meeting Agenda and Meeting Announcement – June 20 and June 21, 2002
DATE: June 6, 2002

As previously announced on May 30, NAESB will hold a meeting in Columbus, Ohio hosted by AEP on June 20 and June 21 to confirm Segment definitions; discuss Sub-segments and discuss the number of seats on the Board and Executive Committee for the Wholesale Electric Quadrant (“WEQ”). If necessary, a subsequent meeting may be scheduled for July 9/10 to confirm decisions made on June 20/21. The upcoming Board meeting is June 28 in Seattle.

The current actions being considered by the WEQ are necessary to the preparation of completed Quadrant Procedures for the WEQ, which must be approved by the NAESB Board of Directors; such Board action could occur as early as June 28, 2002. The minimum Quadrant Procedures require Segment identification and definitions, and procedures for election of Board of Directors and Executive Committee representatives. The minimum procedures for the election of Board of Directors and Executive Committee representatives include identifying the number of seats the Segments will hold on both the Board and the Executive Committee. The procedures may be further defined and changed by the WEQ as it determines after the WEQ has been formed. Similarly, Segment procedures may also be defined after the WEQ has been formed.

The meeting specifics are:

WHERE:	American Electric Power Offices 1 Riverside Plaza Columbus, OH 43215	
WHEN:	June 20	9:00 a.m. to 5:00 p.m.
	June 21	8:00 a.m. to Noon

While the meeting may go late on June 20, it will end no later than noon on June 21, as attendees will have made travel arrangements based on a noon adjournment.

Conference calling will be available for those unable to travel to the meeting. Written comments are also suggested from those unable to participate in the meeting, or for those who prefer to participate via written comments in addition to participation in the meeting. Comments should be provided 5 business days prior to the meeting to allow attendees sufficient time to review all meeting materials, late comments will be identified as such and posted and distributed. All written comments will be posted and distributed to the meeting attendees. The meeting will be transcribed and the transcripts available for purchase. Antitrust counsel will be present throughout the meeting.



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Please notify the NAESB office (naesb@aol.com) if you intend to attend, including:

- your name;
- organization represented;
- Segment represented; and
- email address.

We would appreciate notification of attendance by June 17 to provide adequate meeting planning. If you intend to participate by phone, the NAESB office (naesb@aol.com) will provide you with the conference calling number and instructions.

We look forward to your attendance,

Best Regards,

Rae McQuade



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**North American Energy Standards Board
Draft Agenda For Wholesale Electric Quadrant Meeting
Columbus, Ohio
June 20 and 21, 2002**

JUNE 20:

- 9:00 a.m. 1. Welcome and Opening Remarks
- Welcome
 - Introductions and Roll Call
 - Antitrust Guidance
- 9:30 a.m. 2. Review of Meeting Rules
- Time per speaker
 - Time per topic to ensure that all agenda items are addressed
 - How votes are taken
- 10:00 a.m. 3. NAESB Wholesale Electric Quadrant (WEQ) Segment definition confirming vote
- 10:00 a.m. Review Segments and Segment definitions
- 10:30 a.m. **Confirming Vote** of the five Segment definitions
- 11:00 a.m. 4. For each Segment, determine the following:
- Discuss whether the Quadrant should designate Sub-segments or leave this to the Segments themselves.
- Conduct vote on whether the establishment of Sub-segments should be left to the Segments. If yes, defer to Segments; if no, then 5 Votes on whether the Quadrant should determine if the Segment in question should have Sub-segments, (each Segment discussion and vote shall occur in no more than 20 minutes).
- Noon Lunch
- 1:00 p.m. 4. Continuation of Item 4.
- 2:00 p.m. 5. For those Segments, if any, for which the Quadrant has determined to establish Sub-segments:
- Identify and discuss Sub-segments, based on comments received and prior discussions on May 30.
 - At the end of each 30 minute period allotted to each Segment, take a **Straw Vote** on Sub-segments identified for each Segment.



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**North American Energy Standards Board
Location Information for the NAESB WEQ Formation Meeting
Columbus, Ohio
June 20 and 21, 2002**

The meeting venue is:

American Electric Power Offices
1 Riverside Plaza
Columbus, OH 43215

The AEP office is 10-15 minutes from the Columbus airport and a cab fare should be in the neighborhood of \$18.00.

A hotel room block has been set aside until June 11 at the:

Hyatt Regency Hotel
350 North High Street
Columbus, OH 43215
Reservations: (800) 233-1234

The room rate for the room block is \$95.00 per night. Please refer to the "NAESB" room block to receive this rate. The block of rooms will be held until June 11. The Hyatt is 3-4 blocks from the meeting location.



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North American Energy Standards Board Procedural Rules for the NAESB WEQ Formation Meeting Columbus, Ohio June 20 and 21, 2002

Procedural Rules

AGENDA ITEM 1:

- Phone participant attendance will be recorded by the conference calling attendant. The participants will not be announced as they join the conference call to avoid meeting disruptions.
- Jim Buccigross, chair of the NAESB Executive Committee, will open the meeting. Facilitation for the meeting will be provided by Stanley Porter of Deloitte. Joelle Ogg of Williams Mullen will provide antitrust counsel. A sergeant-at-arms will be present to maintain order.

AGENDA ITEM 2:

- Roberts Rules of Order will be followed for the meeting, except where the group determines otherwise or except where NAESB procedures apply.
- Two minute/speaker rule followed at previous meetings will be utilized to allow for all participants (either in person attendance or via conference call) to voice their opinions prior to either confirming votes or non-binding straw votes ("sense of the room" votes), unless the group adopts a different time limit.
- The Segments have been identified. NAESB's General Counsel advises that balanced voting is to be used to ensure that no Segment or group of interests can "stack the deck" or otherwise dominate the decision-making process. With balanced voting, each Segment has an equal percentage of votes, regardless of the number of participants. The balanced voting procedure is used throughout the NAESB organization. Section 2.2 of the NAESB Bylaws requires the use of balanced voting to **"provide for balance of interests among industry Segments and Quadrants participating in NAESB so as to avoid any one interest group or group of interests having the ability to exert undue influence over any decision."**
- Roll call votes may be taken for confirming votes and possibly for straw votes as well. The voter must identify himself, the company and Segment represented and his vote. This voting procedure is then captured for the record on the transcript and is tallied as it is taken. As a matter of information, this procedure is used for many types of votes taken in NAESB – at the Board, Executive Committee and in subcommittee meetings.
- It was agreed at the May 8 and 9 meeting that consensus is a two-thirds vote, which was reaffirmed on May 29. This is the percentage used for the ratification process in NAESB and at the Executive Committee for each of the Quadrants.



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- Individuals have one vote. Individuals may not vote multiple times in multiple Segments on the same motion. If an individual represents more than one company and business interest, then that individual must choose which company and business interest he is representing before a roll call vote or balanced vote is taken. If more than one individual represents the same company and business interest, then only one of those individuals may cast a vote. All phone participants are eligible to vote under the rules outlined above. All NAESB Quadrants operate in this manner. Proxy voting is not permitted.
- Abstentions are recorded but do not count in either total votes cast nor in the total affirmative votes and total opposing votes. All NAESB Quadrants operate in this manner.

AGENDA ITEM 3:

- Under NAESB's Bylaws, companies may hold multiple voting memberships in different Quadrants and Segments. In order to do so, a company must have legitimate business interests within those Quadrants and Segments. This currently is the practice in the Wholesale Gas Quadrant and is likely to occur in both the Retail Quadrants. Multiple memberships are permitted in the NAESB governance documents - NAESB Certificate and Bylaws. Quadrant procedures may not be inconsistent with the NAESB Certificate and Bylaws.
- All industry participants for a given Quadrant must have the ability to join at least one of the Segments identified for that Quadrant. This is the principle of inclusivity noted in Section 2.2 of the Bylaws.

AGENDA ITEMS 4 and 9:

- Minimum Quadrant procedures are approved by the Board of Directors. Once the initial Quadrant procedures are approved, the Quadrant itself will determine other procedures, which may include procedures relating to the Quadrant, Segment or Sub-segments.
- NAESB's General Counsel will review such proposed or draft procedures prior to Board action to ensure that they are not inconsistent with the existing NAESB Bylaws and Certificate. Segment procedures and Sub-segment procedures may also be defined by the Segments. Ordinarily, the Segments will determine the identity of any Sub-segments, unless the Quadrant itself designates specific Sub-segments. Segment procedures and Sub-segment procedures are not required as part of the minimum Quadrant procedures.



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Procedural Rules for the NAESB WEQ Formation Meeting
Columbus, Ohio
June 20 and 21, 2002**

- The minimum Quadrant procedures must include (1) Segment identifications and definitions, which would permit the Board to determine if the inclusivity principle is met, and (2) the number of Segment seats on the Board and Executive Committee, which permits the NAESB office to start the procedure to hold elections.



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North American Energy Standards Board Outcome of May 29 and 30 NAESB WEQ Formation Meeting

Segments Identified (5/9/02):

- Transmission
- Generation
- Marketers/Brokers
- Distribution/Load Serving Entities
- End Users

Segment Definitions (5/9/02 and 5/29-30):

- **Transmission:** Any entity engaged in the activity of owning, operating or controlling bulk electric transmission facilities in North America.
- **Generation:** Any entity engaged in the activity of owning and/or operating wholesale electric generation facilities in North America.
- **Marketers/Brokers:** Any entity engaged in the activity of buying and selling wholesale electric power in North America on a physical or financial basis.
- **Distribution/Load Serving Entities:** Any entity engaged in the activity of electric power sales and/or delivery to end use customers in North America, or any entity designated to represent a distribution utility.
- **End Users:** Any entity in North America that is an end use consumer of electricity, engages in electricity regulation, or represents customer interests, or any entity designated to represent an end user.

Sub-segments Identified for Discussion - no votes or any type of determination made (5/30/02):

- **Transmission:** Any entity engaged in the activity of owning, operating or controlling bulk electric transmission facilities in North America.
 - APPA / NRECA suggests:
 - 1) RTOs, ISOs, RRCs
 - 2) Single purpose transcos and independent transmission companies
 - 3) Transmission owners and operators that are integrated or affiliated with market participants



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- **Generation:** Any entity engaged in the activity of owning and/or operating wholesale electric generation facilities in North America.

EPSA suggests:

- 1) competitive generators - those entities who generate and sell electric power primarily at market-based rates.
- 2) regulated generators - those generators who sell electric power primarily at regulated or contractual rates to customers.

APPA/NRECA suggests:

- 3) generation owners and operators affiliated with an LSE or also an LSE
- 4) unaffiliated generation owners and operators
- 5) distributed generators, renewable generators and demand side bidders
- 6) not for profit generators

- **Marketers/Brokers:** Any entity engaged in the activity of buying and selling wholesale electric power in North America on a physical or financial basis.

EPSA does not believe that Sub-segments are needed.

APPA-NRECA suggests:

- 1) Market Administrators/Operators
- 2) Wholesale Marketers integrated with the generation function of vertically integrated utilities
- 3) Non-integrated wholesale marketers / brokers with or without generation; risk management services

Others suggest:

- 4) Not for profit marketers/brokers (Tri-state)
- 5) Delete 2 and 3 and add for profit marketers / brokers (NARUC)
- 6) RTOs, ISOs, RROs only (Williams recommended only if the ISOs, RTOs and RROs want it - several RTOs, ISOs and RROs in the room do not support having this Sub-segment)



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- **Distribution/Load Serving Entities:** Any entity engaged in the activity of electric power sales and/or delivery to end use customers in North America, or any entity designated to represent a distribution utility.

APPA-NRECA suggests:

- 1) Investor owned utilities with an obligation to serve retail customers
- 2) Federal, state, municipal and cooperatively owned utilities including G&T Cooperatives and Municipal Joint Action Power Supply Agencies on behalf of its members
- 3) Retail aggregators/marketers participating in retail choice markets

Others suggest:

- 4) Independent Distribution Companies with only provider of last resort (POLR) supply obligations (Granite State)

- **End Users:** Any entity in North America that is an end use consumer of electricity, engages in electricity regulation, or represents customer interests, or any entity designated to represent an end user.

Elcon and NARUC suggest that no Sub-segments are needed.

APPA-NRECA suggests:

- 1) Large commercial/industrial customers
- 2) Residential, small commercial and consumer advocates
- 3) State economic regulators and siting authorities

In discussions it was noted that all groups have the ability to self-select the Segments to which they would belong and in which they have a legitimate business interest.

Questions were raised during the discussion on May 30 on to which Segments the following groups would belong:

- RTOs, RROs and ISOs – RTOs, ISOs and RROs believe that they may fit in the existing definitions (i.e., Transmission) but would prefer to have their own Segment to reflect independence from transmission owners.
- Suppliers/Vendors – may be accommodated through self-selection.
- Demand Side Management – may also be accommodated through self-selection.



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Chairman's Perspective

When Mr. Boswell opened the first of these WEQ formation meetings, in Houston, he advised the group that its work product would be deemed finished when it determined to forward its procedures to the NAESB Board.

He also advised the group that the NAESB Board had no agenda regarding how the WEQ should be organized and segmented, since that is a decision the group itself must make, considering the individual needs of WEQ stakeholders. This is not to say that Board members who have chosen to participate in the WEQ formation process as individuals representing stakeholders do not have opinions regarding the WEQ's structure during these discussions, but rather that the Board as a Board will only concern itself with the end product forwarded by the WEQ. As has repeatedly been stated, the standard that will be used by the Board is as follows: "Are the proposed Quadrant procedures not inconsistent with NAESB's Certificate and Bylaws?" If the answer is yes, the procedures will be approved.

Lastly, once the Quadrant procedures have been approved, the Quadrant alone has the authority to amend its structure. In other words, matters do not go back to the Board as a whole but only to the WEQ Directors, subject to preliminary review by the NAESB General Counsel for compliance with NAESB's Certificate and Bylaws.