



North American Energy Standards Board

1100 Louisiana, Suite 3625, Houston, Texas 77002

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Home Page: www.naesb.org

TO: NAESB Members and Interested Industry Participants
FROM: Rae McQuade, Executive Director
RE: Wholesale Electric Quadrant Formation Decisions
DATE: July 9 and 10, 2002

The below Caucus report was adopted by the Wholesale Electric Quadrant Formation Group on July 9 by a vote of 73 to 3 in the room and with all participants on the phone in agreement, excepting item 3 of the procedural elements. Item 3 was adopted through a separate vote taken on July 10, with a vote of 64 to 2 in the room and 1 in opposition on the phone.

IOU Definition: An investor owned entity who has substantial business interest in owning and/or operating any two of the following three asset categories -
-- generation, transmission, distribution.

SEGMENT	SUB-SEGMENT	# of SEATS ¹
Generation:	Muni/Coop	1
	Fed/State/Provincial	1
	IOU	2
	Merchant	2
Transmission:	Muni/Coop	1
	Fed/State/Provincial	1
	IOU	2
	ITC	2
Distribution/LSE:	Muni/Coop	2
	IOU	2
	Competitive Retailer (not available to muni/coop, IOU or IOU affiliates)	1
	Other (not available to muni/coop, IOU or IOU affiliates)	1
Marketers/brokers	Muni/Coop	1
	Fed/State/provincial	1
	Not IOU affiliated	2
	IOU Affiliated	2
End user	End Use (also in another segment)	1
	Regulator	1
	Residential/Commercial	1
	Large Industrial (not in other segments)	2
	End Use (Self Generation)	1

¹ The number of seats refers to the number of seats the sub-segment holds on the Board and on the EC.



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Procedural Elements:

1. Entities may participate in multiple segments within WEQ.
2. "Sunrise." Sub-segment principles will continue. Sub-segments may be revisited at any time, but no later than three years. Changes to sub-segments require 75% affirmative from within segment, subject to other minimum participation and deadline requirements.
3. RTO/ISO/IMO participation. All RTOs/ISOs and comparable Canadian entities are strongly encouraged to participate in the standards drafting process from conception through drafting to the ratification stage. Furthermore, a Technical Advisory Council comprising those jurisdictionally-approved entities will be formed to provide technical support and counsel to the NAESB Board and EC. The Council will have the obligation to provide a technical assessment, evaluation and recommendation to the EC on all standards relevant to the grid system and RTO market operations. Furthermore, the Council has an affirmative obligation to apprise the EC of a given standard's feasibility.
4. Fixed Annual Payment. All WEQ participants will pay a fixed annual payment. Annual payment should provide for required budget to administer the process to develop standards. Exceptions must be approved by the NAESB Board.
5. Sub-segment population. NAESB WEQ will establish minimum number for populating sub-segments within a segment, including a deadline for such population.
6. Consultants. Contract consultants may be considered as an option for standards drafting, contingent on identification of need and availability of sufficient funding.
7. Final comprehensive affirmation. This vote will reflect only the elements of this settlement. No changes of any kind can be made to this agreement without prior agreement of parties.

The below motion was approved on July 10, with a vote of 71 to 2 of the room, and 1 in opposition on the phone.

Approve and forward the package to the Board for initial WEQ quadrant procedures for the formation of the WEQ, including the above amended motion regarding RTO participation [item 3 of the procedural elements]. Should the Board not approve the initial quadrant procedures, it is requested to respond in writing to the WEQ formation group with its reasons for denying the initial quadrant procedures.



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Prior Preliminary Agreements Reached

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.

Segment Seats (6/21/02):

For the Wholesale Electric Quadrant representation, there should be 6 seats per segment for the Board of Directors and 6 seats per segment for the Executive Committee.