



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

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

Actions Taken on July 9, 2002

Motion (S. Dayney/M. Desselle)

Recess the meeting for one hour to conclude the discussions on caucusing. The meeting will restart at 2:30 p.m. eastern.

Vote: No objections in the room or on the phone.

Meeting reconvened at 3:00 p.m.

Caucus Report Presented by M. Desselle :

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.

| | | | |
|--------------------|----------------------|---|---|
| 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 | 1 | (not available to muni/coop, IOU or IOU affiliates) |
| | Other | 1 | (not available to muni/coop, IOU or IOU affiliates) |
| Marketers/brokers: | Muni/Coop | 1 | |
| | Fed/State/provincial | 1 | |
| | Not IOU affiliated | 2 | |
| | IOU Affiliated | 2 | |
| End users: | Customers | 2 | |
| | Regulator/Cons. Adv. | 2 | |
| | Services | 1 | |
| | Other | 1 | |



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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 with segment, subject to other minimum participation and deadline requirements. [Statement removed on state consumer advocate offices being exempt from fixed annual payment requirement.]
3. REMOVED (RTO/ISO/IMO participation)
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.
5. Sub-segment population. NAESB WEQ will establish minimum number for populating sub-segments within a segment, including a deadline for such population. Sub-segment minimum population requirement shall equal two times each sub-segment's allocated seats as described above.
6. Consultants. Contract consultants may be considered as an option, 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.

MOTION: (S. Dayney/M. Deselle)

Suspend the straw vote on sub-segments by segment (agenda item no. 4) until July 10 at 9:00 a.m.

VOTE: (2/3rds vote required). Vote not taken as a result of privileged motion below.

PRIVILEGED MOTION: (M. Deselle/G. Spurlock)

Recess until 5:00 p.m. to permit additional caucusing.

VOTE: PASSES (82.79%). Two-thirds to pass. Total Votes: (101 in favor, 21 opposed). In the room (raising hands) -- 49 in favor, 21 opposed. On the phone (roll call) -- 52 in favor, 0 opposed



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RESULTS OF 5 p.m. CAUCUS

Caucus Report Presented by M. Desselle:

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.

| | | | |
|--------------------|--|---|---|
| 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 | 1 | (not available to muni/coop, IOU or IOU affiliates) |
| | Other | 1 | (not available to muni/coop, IOU or IOU affiliates) |
| Marketers/brokers: | Muni/Coop | 1 | |
| | Fed/State/provincial | 1 | |
| | Not IOU affiliated | 2 | |
| | IOU Affiliated | 2 | |
| End users: | End Use (also in another segment) | 1 | |
| | Regulator | 1 | |
| | Residential/Commercial | 1 | |
| | Large Industrial (not in other segments) | 2 | |
| | End Use (Self Generation) | 1 | |

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 with segment, subject to other minimum participation and deadline requirements. [Statement removed on state consumer advocate offices being exempt from fixed annual payment requirement.]



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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 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.

MOTION (H. Shafferman/C. Glazer)

Amend the above package to include a sixth segment for the jurisdictional RTOs and ISOs with full voting rights.

CALL THE QUESTION: (G. Ogenyi/B. Irish) No objection voiced on either the phone or in the room.

VOTE: FAILS. Total (24 in favor, 96 opposed). 2/3rds needed to pass the motion. Vote results -- In the room – 23 in favor, 58 opposed, on the phone – 1 in favor, 38 opposed.

MOTION (S. Dayney/M. Desselle)

Suspend the rules to take a confirming vote on the package shown above excepting item number 3.

VOTE: PASSES. In the room: (show of hands) 69 in favor, 2 opposed, no objections on the phone.

MOTION: (M. Desselle/S. Dayney)

Take a confirming vote on the package shown above excepting item number 3.

AMENDMENT TO THE MOTION (K. Sappenfield/J. Cox)

Remove the sub-segments listed for the marketers/brokers and all seats should be listed as "At Large".

CALL THE QUESTION (D. McMillan/G. Ogenyi)

VOTE: No objections on the phone or in the room.

VOTE on the AMENDMENT: FAILS. 2/3rds vote required to pass. In the room: 8 in favor, 60 opposed, on the phone: none in favor, all are opposed.



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CALL THE QUESTION ON THE ORIGINAL MOTION (B. Lawson/S. Corneli)

VOTE: PASSES. In the room, 70 in favor, no opposition. On the phone, one in opposition, all other in favor.

VOTE ON ORIGINAL MOTION: PASSES. In the room 74 in favor, 3 opposed. On the phone: no opposition.

Note: Where do services fit?

MOTION: (C. Glazer/J. Hawks)

A sixth segment consisting of jurisdictionally approved RTOs and ISOs be added which also includes Canadian entities. The segment would have (1) six board and EC seats and be able to vote on standards, but (2) would waive its right to a single segment veto of standards, and (3) the WEQ's portion of the NAESB annual plan would be approved by a majority of the EC members of the sixth segment prior to forwarding the plan to the board for ultimate approval. By this motion, the RTO/ISO segment waives the right to request the formation of the Technical Advisory Council, as so described in the motion of the NAESB Board of June 28, 2002, unless or until there is an overall review of the NAESB governance process.

AMENDMENT TO THE MOTION: (D. McMillan/C. Yeung)

Add language to motion to note that the RTOs and ISOs waive the right to form a Technical Advisory Council as noted in the 6-28-02 NAESB Board Meeting. Both the mover and the seconder approve the language and as such the language has been incorporated in the above motion.

MOTION: (C. Bogorad/M. Desselle)

Recess and consider the above motion at 9:00 a.m. July 10.

VOTE: No objections in the room, no objections on the phone.

Actions Taken on July 10, 2002

MOTION: (S. Jones acting on behalf of C. Glazer/J. Hawks)

A sixth segment consisting of jurisdictionally approved RTOs and ISOs be added, which also includes Canadian entities. The segment would have (1) six board and EC seats and be able to vote on standards, but (2) would waive its right to a single segment veto of standards, and (3) the WEQ's portion of the NAESB annual plan would be approved by a majority of the EC members of the sixth segment prior to forwarding the plan to the board for ultimate approval. By this motion, the RTO/ISO segment waives the right to request the formation of the Technical Advisory Council, as so described in the motion of the NAESB Board of June 28, 2002, unless or until there is an overall review of the NAESB governance process.

AMENDED MOTION: (J. Anderson/B. Rosenthal)

Add the following sentence: If the number of WEQ segments exceeds five, the end user segment shall have 20% of the total vote of the WEQ.

CALL THE QUESTION: (S. Dayney/M. Desselle)



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PASSES. No objection in the room. One objection on the phone. Vote of the room: 79 in favor, 0 opposed. Vote on the phone: two in opposition.

VOTE ON THE AMENDMENT:

FAILS. In the room – 2 in favor, 76 opposed. None in favor on the phone.

SUBSTITUTE MOTION: (S. Jones/J. Hawks)

Jurisdictionally approved RTOs, ISOs and IMOs (including similar Canadian entities) shall constitute a sixth segment of the WEQ to the extent that the Board of NAESB, upon request of a representative group of RTOs/ISOs/IMOs, takes the steps necessary to amend the pertinent provisions of the NAESB Certificate of Incorporation and Bylaws to permit RTOs/ISOs/IMOs to participate as a segment of the WEQ without the power to veto a proposed standard but otherwise having the rights and responsibilities of other WEQ segments; provided, however that prior to such amendment or if the Board of NAESB does not provide such amendment, the RTOs/ISO/IMOs may choose to participate in the WEQ of NAESB as the Technical Advisory Council (“TAC”) contemplated in the NAESB Board’s resolution of June 28, 2002; and provided further that should the foregoing amendments be adopted, the RTOs/ISOs/IMOs shall cease participation in the WEQ as the TAC and shall request the NAESB Board to rescind its resolution.

CALL THE QUESTION: (G. Ogenyi/M. Desselle)

PASSES. No objection voiced in the room, one objection on the phone. Show of hands in the room: 76 in favor, 1 opposed. On the phone 1 opposed, all others in favor.

VOTE ON THE SUBSTITUTE MOTION:

FAILS. 64.2% in favor. Total 88 in favor, 49 opposed. Show of hands in the room: 43 in favor, 38 opposed. On the phone 45 in favor, 11 opposed.

MOTION: (M. Desselle/G. Ogenyi)

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 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.

BOARD RESOLUTION (6/28/02):

Resolved, that upon request of the FERC or upon a request of the representative group of the ISOs/RTOs/or RROs, following the creation of the WEQ, there may be created a technical advisory council to advise the WEQ and the NAESB Board regarding reliability and related market design issues. Such request shall be applicable irrespective of the final configuration of the WEQ.

AMENDED MOTION: (D. McMillan/B. Green)

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



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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.

CALL THE QUESTION: (M. Desselle/A. Mosher)

PASSES. No objection in the room or on the phone.

VOTE ON THE AMENDMENT:

Show of hands in the room: 64 in favor, 6 opposed. On the phone: none opposed.

CALL THE QUESTION (M. Desselle/A. Dotterweich)

Passes. None opposed in the room or on the phone.

VOTE ON THE AMENDED MOTION:

PASSES. Show of hands in the room 64 in favor, 2 opposed. 1 opposed on the phone, all others on the phone in favor.

MOTION: (S. Dayney/A. Mosher)

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. 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.

Aside (not part of the motion): It was noted that with self selection the service providers can participate in any segment and can run for EC and Board seats.

AMENDED MOTION: (D. McMillan/J. Anderson)

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; and with the understanding that any party with a legitimate business interest in the WEQ may, by self-selection, join any segment within the WEQ with the exception of the end user segment, and may self-select any sub-segment within such segment becoming a full member of that sub-segment with full voting rights. 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.

CALL THE QUESTION: B. Lawson/S. Dayney)

PASSES. Show of hands in the room: 63 in favor, 1 opposed. On the phone: none opposed.

VOTE ON THE AMENDMENT:

Show of hands in the room: 11 in favor, 60 opposed. On the phone: none in favor.

CALL THE QUESTION: (M. Desselle/B. Lawson)

None opposed.



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VOTE ON THE MOTION:

Show of hands in the room: 71 in favor, 2 opposed. On the phone: 1 opposed.

MOTION TO ADJOURN: S. Dayney/B. Lawson

No objection.