

NAESB WEQ FORMATION  
GOVERNANCE AND PROCEDURAL ELEMENTS  
PROPOSAL  
JULY 9, 2002

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

Generation segment

Muni/coop	1
Fed/state/provincial	1
IOU	2
Merchant	2

Transmission segment

Muni/coop	1
Fed/state/provincial	1
IOU	2
ITC	2

Distribution / LSE

Muni/coop	2
IOU	2
Competitive retailer affiliates)	1 (not available to muni/coop, IOU, or IOU)
Other affiliates)	1 (not available to muni/coop, IOU, or IOU)

## Marketers/brokers

Muni/coop	1
Fed/state/provincial	1
Not IOU affiliated	2
IOU-affiliated	2

## End-use segment

Customers	2
Regulator / cons. Adv.	2
Services	1
Other	1

## PROCEDURAL ELEMENTS

1. Entities may participate in multiple segments within WEQ.
2. “Sunrise” – subsegment principles will continue. Subsegments may be revisited at any time, but no later than three years. Changes to subsegments require 75% affirmative from within segment, subject to other minimum participation and deadline requirements.
3. RTO/ISO/IMO participation --- Strong encouragement to participate at all levels and segments within WEQ. In addition, such entities shall participate as technical advisors to the WEQ Executive Committee and NAESB Board. They will provide opinion letters to accompany all standards that are presented to the WEQ Executive Committee for approval. Regional reliability councils shall be integrated into WEQ process through a memorandum of understanding.
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. State consumer advocate offices shall be exempt from the fixed annual payment requirement.

5. Subsegment population --- NAESB WEQ will establish minimum number for populating subsegments within a segment, including a deadline for such population. Subsegment minimum population requirement shall equal two times each subsegment'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 elements of this settlement. No changes of any kind can be made to this agreement without prior agreement of parties.