



North American Energy Standards Board

1100 Louisiana, Suite 3625, Houston, Texas 77002

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Home Page: www.naesb.org

via email and posting

TO: NAESB WEQ Contracts Subcommittee Participants and Interested Parties
FROM: Rae McQuade, Executive Director
RE: Wholesale Electric Quadrant Contracts Subcommittee Meeting Minutes – March 5, 2003
DATE: March 10, 2003

**NORTH AMERICAN ENERGY STANDARDS BOARD
WEQ CONTRACTS SUBCOMMITTEE
March 5, 2003, 10:00 a.m. to 3:00 p.m. MST**

1. Welcome

Mr. Dison and Mr. Johnson, as co-chairs, presided over the WEQ Contracts Subcommittee meeting. Mr. Johnson welcomed meeting participants. Mr. Johnson thanked Salt River Project for hosting the meeting. Participants introduced themselves. Mr. Oncken gave the antitrust advice. Mr. Dison reviewed the procedures for balanced voting within the Contracts Subcommittee.

2. Adoption of Agenda

Mr. Johnson reviewed the agenda. Mr. Johnson moved, seconded by Ms. Monteith, to adopt the agenda as written. The motion passed absent objection.

3. Approval of Draft Contracts Minutes, 1-28-03

Mr. Johnson moved, seconded by Ms. Lauderdale, to approve the draft January 28, 2003 WEQ Contracts Subcommittee Minutes as written. The motion passed absent objection.

4. Report from Active Task Forces – MSA, FTA

Funds Transfer Agency (FTA) Task Force

Mr. Johnson reported on the progress of the task force. According to Mr. Johnson, the task force has met several times, led by Ms. Gasca, and prepared an adaptation of the NAESB WGQ Funds Transfer Agent Agreement (FTAA) and corresponding standards request form. For the benefit of all subcommittee participants, Mr. Johnson explained the nature of the FTAA, noting basically a bank will stand in for a WMBE (Women and Minority Owned Business Enterprises) to provide credit. Ms. Gasca stated Mr. Johnson's report reflected the process and work product of the FTA Task Force.

Since this is the first WEQ standards request form that will be forwarded to the NERC/NAESB Joint Interface Committee (JIC), the standards development process was briefly discussed and explained as follows: 1) the task force will submit a completed standards request form for subcommittee approval; 2) assuming approval, the NAESB office will forward the request form to the JIC for consideration; 3) assuming assignment to NAESB for standards development, the request will return to the subcommittee to determine if the work product is complete and may be considered a recommendation for consideration as a standard – if not, the request and work product will be returned to the FTA Task force for more development; 4) once the subcommittee determines that the recommendation for consideration as a standard is complete, the NAESB office will post the recommendation for a 30 day public comment period; 5) after the comment



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period concludes, the recommendation is presented to the WEQ Executive Committee for a super-majority vote; and 6) assuming approval by the Executive Committee, the request is distributed to all WEQ members for a ratification vote.

As applied to the current request from the FTAA Task Force, step 3 is essentially complete, so the recommendation could presumably be sent out for comment immediately after the JIC assignment to NAESB for standards development. It was proposed the Contracts Subcommittee have a conference call following the JIC meeting to determine whether the current power FTAA draft is ready to be posted for comment. The subcommittee call was scheduled for March 24 following the JIC meeting on March 21.

Mr. Johnson moved to approve the FTAA Task Force standards request, with attached draft FTAA, and request the NAESB Office submit the request to the JIC for consideration at its March 21, 2003 meeting. The motion passed unanimously.

Master Service Agreement (MSA) Task Force

Ms. Lauderdale reported on the progress of the task force. Ms. Lauderdale stated the MSA held three conference calls to 1) define a work plan to complete the assigned task of developing a list of the differences between the EEI contract and WSPP contract; 2) review the submitted contract comparisons using the Southern California Edison comparison as the base document; and 3) review the comparison that resulted from item 2. In completing the review of the contract comparisons, Ms. Lauderdale stated there were various areas where differences were perceived, but upon examination, the differences were not that significant. Ms. Lauderdale noted the general hesitancy of the group to reduce the differences to writing. As an example, she stated the title of the work paper for today's meeting was extensively discussed.

Participants discussed the work paper for today's meeting. As a preliminary note, it was stated that the contracts are fundamentally different in several areas due to the fact the WSPP contract is a member agreement and the EEI contract is a bilateral agreement. Mr. Crespo stated that the MSA looked at many different issues and the resulting work paper is a small sub-set of that initial review. Mr. Crespo noted the many areas of commonality between the agreements were not identified in the work paper.

Mr. Dison thanked the MSA task force for completing its assigned task of identifying the differences between the WSPP contract and EEI contract. Mr. Dison noted this was the first step in addressing 2003 WEQ Annual Plan Item 5a, *A review of both the Western Systems Power Pool and the Edison Electric Institute (EEI) Master Service agreements and other related agreements would be in order with the objective of developing standard short term and long term master-service agreements.* Accordingly, Mr. Dison stated the next step was determining if a NAESB standard contract was appropriate. Mr. Dison noted that development of a NAESB standard contract would not affect the existing WSPP contract or EEI contract, since use of a standard contract cannot be mandated by the FERC.

Participants generally discussed the development of a standard NAESB contract for power sales. It was noted there are many options in moving forward. Possible options included: 1) combining the WSPP contract and EEI contract into one agreement; 2) using either the WSPP contract or the EEI contract as the base NAESB contract; or 3) developing a new NAESB contract.

Ms. McQuade informed participants NAESB has been approached by the US Department of Energy (DOE) to develop a standard contract for use in conjunction with the proposed power FTAA. Ms. McQuade stated the DOE made the request due to its desire to have the FTAA approved by the GSA, and the DOE is reluctant to support a contract addendum when the



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base document was not developed through an ANSI approved process. NAESB uses an ANSI approved process as it is an ANSI accredited Standards Development Organization.

Participants generally opposed combining the EEI and the WSPP contracts into a NAESB contract to replace its predecessors. Rationale included the extensive time each contract required for development and the current satisfaction by WSPP members with the multilateral WSPP agreement. It was noted that working on the DOE's request would not mean replacement of the existing contracts. Likewise, Mr. Schwerman cautioned against developing an entirely new contract, since the two contracts already work for the market and drafting could take considerable time and resources.

Participants discussed the possibility of using the WSPP contract as a base for NAESB contract development. Proponents favored the multilateral aspects of the WSPP contract, asserting there is really no standardization with a negotiated bilateral contract. Ms. McQuade cautioned that NAESB could not limit the use of its standards to NAESB members without risking its ANSI accreditation. Should the group decide to proceed with a multilateral agreement, it was explained the agreement would have to be multi-signatory, not multilateral tied to NAESB membership.

Participants discussed the possibility of using the EEI contract as a base for NAESB contract development. It was noted this is the more likely base document, since it is a bilateral agreement much like the NAESB Base Contract for Sale and Purchase of Natural Gas. Ms. McQuade briefly explained how the Natural Gas contract works. In particular, changes to the terms of the contract are highlighted through the special provisions such that the standard language is not changed within the base document. Additionally, Ms. McQuade noted the Natural Gas contract functions through a cover page election procedure, much like the existing EEI contract.

Some concern was expressed whether NAESB could address the DOE request since it was not specifically provided for in the 2003 WEQ Annual Plan. Although it was not specifically provided for, it was noted that consideration of a standard contract was included in annual plan item 5a. Additionally, Mr. Dison stated the NAESB process could mandate the development of a NAESB standard contract if a request for the contract was submitted.

Mr. Schwerman moved, seconded by Ms. Anderson, to 1) not merge the WSPP and EEI contracts as they both have unique merits, and 2) ask the [MSA] task force to look at other ways to address the DOE request and report findings to the [Contracts Sub-] committee at a later date.

During discussion on the motion, Mr. Morissette suggested the DOE request needs to be better defined regarding the contract specifications desired. Mr. Crespo and Mr. Bunkin concurred. Additionally, it was noted the DOE request was not submitted in writing. Mr. Weinstein expressed concern that an additional contract would destabilize the market. Ms. Russo echoed those concerns.

Mr. Oberski moved to close debate and call the vote on Mr. Schwerman's motion. Absent opposition, debate closed and participants voted on Mr. Schwerman's motion. Mr. Schwerman's motion passed unanimously. In line with the above comments, Mr. Dison requested the NAESB office clarify that NAESB has been tasked with the DOE request.

Mr. Johnson moved, seconded by Mr. Weinstein, to give the MSA Task Force the additional task of looking at the contracts by looking at the language for modifications to better serve the needs of the industry. During discussion of the motion, it was suggested the motion specify NAESB examine the EEI contract. Ms. Anderson questioned why it was assumed the EEI



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would be used as the base document instead of the WSPP. It was noted the end result should be a NAESB standard contract that would serve the purposes outlined by the DOE request.

Mr. Dison stated NAESB has no authority to change another organization's contract. In its work, however, NAESB could modify a base document and adopt the modified base document as a NAESB standard. Mr. Bittle suggested NAESB could propose changes to the WSPP contract, but changes to the WSPP contract would have to proceed through established WSPP procedures. Mr. Dison clarified that NAESB could not suggest changes to the WSPP contract, but could develop a body of business standards which could then be adopted by the WSPP and incorporated into the WSPP contract.

Mr. Johnson stated the intent of his motion was to spark debate of the issues the MSA identified as differences between the two contracts. He suggested the task force research the rationale behind the differences in the agreements.

Mr. Johnson, seconded by Mr. Weinstein, proposed the following amended motion to replace his original motion: Motion to give the [MSA] task force the additional task of looking at the EEI and WSPP contracts with the intent of developing recommendations for possible NAESB contract related business practice standards and or contract addendums which may be used in conjunction with any master service agreement.

Participants discussed the amended motion. Mr. Kolobara suggested limiting discussion to implementation of the power FTAA. Mr. Kolobara stated a more narrow scope might assist in a focused work product. Mr. Morissette noted the task force would not be limited in its considerations and could chose either the WSPP contract or EEI contract as the base agreement. Mr. Dison reiterated that the resulting recommendation would be to adopt a NAESB standard, not modify an existing contract.

Participants discussed the use of the resulting business practice standards. Mr. Dison stated the resulting standards would be independent standards that could be used just as any other NAESB standards are used. It was noted the proposed practice is different than standards adopted by other NAESB Contracts Subcommittees, since a NAESB Contracts Subcommittee has never developed a standard that could stand alone outside of a contract or that was an addendum to an existing external contract.

Absent opposition, Mr. Johnson's motion passed unanimously.

5. Next Steps including Review of Annual Plan Items Assigned to Contracts Subcommittee

Mr. Dison reviewed the 2003 WEQ Annual Plan items assigned to the Contracts Subcommittee. Participants discussed the meaning of Annual Plan Item 5d, *A review of the International Swaps and Derivatives Association (ISDA) cross commodity netting agreement*. Participants were undecided if Annual Plan Item 5d involved drafting of a Power Annex for the ISDA agreement or some work on the ISDA Bridge Agreement. Mr. Bunkin confirmed Annual Plan Item 5d did not address the drafting of an ISDA Power Annex.

6. Calendar of Meetings

WEQ Contracts Subcommittee Conference Call; March 24, 2003; 11:00 a.m. to noon CST

WEQ Contracts Subcommittee Meeting; May 6, 2003; Houston, TX

WEQ Market Operations Subcommittee Meeting; May 7, 2003; Houston, TX

WEQ Standards Review Subcommittee Meeting; May 8, 2003; Houston, TX

Subsequent WEQ Subcommittee meetings will be held every other month, alternating with the Executive Committee meetings.



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7. Other Business

No other business was discussed.

8. Adjourn

Mr. Dison adjourned the meeting at 1:18 p.m. MST.

9. Meeting Attendees:

| Name | Company | Notes |
|---------------------------|---------------------------------------|-----------------|
| Brenda Anderson | Bonneville Power Administration | Phone |
| Ricky Bittle | Arkansas Electric Cooperative Corp. | In Person |
| Steven Bunkin | Goldman Sachs | Phone |
| Oliver Burke | Entergy Services, Inc. | In Person |
| Mike Cato | Entergy Services | Phone |
| Kyler Cornish | Entergy Services | Phone |
| Phil Cox | American Electric Power | In Person |
| John Crespo | American Electric Power | Phone |
| Michael Desselle | American Electric Power | In Person |
| Joel Dison | Southern Company | In Person/Chair |
| Duane Farmer | Public Service Co. of New Mexico | In Person |
| Amy Gasca | Ampro Energy | Phone |
| Nancy Hagen | Bonneville Power Administration | Phone |
| Wayne Harris | Aces Power Marketing | Phone |
| Linda Horn | We Energies | Phone |
| Gary Jackson | Tennessee Valley Authority | Phone |
| Alan Johnson | Mirant | In Person/Chair |
| Arlene Jorgensen-Hilestad | NRG Power Marketing | Phone |
| Arlynn Kelleher | Entergy Services | Phone |
| Kim Kiener | Salt River Project | In Person |
| Miki Kolobara | Salt River Project | In Person |
| Randolph Krager | LADWP | In Person |
| Melissa Lauderdale | EEI | In Person |
| Lorna Luebbe | PSE | In Person |
| Rae McQuade | NAESB Executive Director | In Person/Admin |
| Sherri Monteith | American Electric Power | In Person |
| John Morissette | Select Energy | Phone |
| David Nick | DTE Energy | Phone |
| Lou Oberski | Dominion | In Person |
| Todd Oncken | NAESB | In Person/Admin |
| David Perlman | FERC | Phone |
| Tony Reed | Southern Company | In Person |
| Mark Russell | Salt River Project | In Person |
| Dede Russo | Reliant | In Person |
| Elizabeth Sager | UBS Warburg | Phone |
| Steve Sayuk | ExxonMobil Power & Gas Services | In Person |
| Bob Schwerman | Sacramento Municipal Utility District | In Person |
| Charles Severance | Wisconsin Public Service Corp | Phone |
| Tiffany Silvey | Calpine | In Person |



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| Name | Company | Notes |
|------------------|-----------------------------|--------------|
| Mike Small | Wright & Talisman | Phone |
| William Smith | Allegheny Power | Phone |
| Lisa Szot | California ISO | Phone |
| Edward Tammy | Florida Power & Light | Phone |
| Henry Tilghman | PacifiCorp | Phone |
| Jim Trangsrud | Salt River Project | In Person |
| Roger Van Hoy | Modesto Irrigation District | In Person |
| Jeremy Weinstein | PacifiCorp | Phone |
| Jim Woodford | San Diego Gas & Electric | Phone |
| John Zoida | Southern California Edison | In Person |