

97 FERC ¶ 61, 289
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;
William L. Massey, Linda Breathitt,
And Nora Mead Brownell.

Electricity Market Design and Structure

Docket No. RM01-12-000

ORDER PROVIDING GUIDANCE ON THE FORMATION OF A
STANDARDS DEVELOPMENT ORGANIZATION FOR THE
WHOLESALE ELECTRIC INDUSTRY

(Issued December 19, 2001)

1. The Commission is in the process of developing a Notice of Proposed Rulemaking (NOPR) dealing with market design for the wholesale electric market. As part of this process, standards governing business practices and electronic communications are needed to complement the market design principles we develop. Once the Commission develops its market design principles, wholesale business practice and communication standards must be developed as soon as possible thereafter so that the industry can operate efficiently under the market design principles.
2. We prefer that the industry develop these business practice standards and communication protocols by establishing a single consensus, industry-wide standards organization for the wholesale electric industry, and we understand the industry is in the process of trying to develop such a standards organization. Since all segments of the industry must conduct business and operate under these standards, it is appropriate that the standards reflect a reasonable consensus of the entire industry.¹ To ensure that a mechanism is in place to develop these crucial standards when the market design

¹"Consensus ... is defined as general agreement, but not necessarily unanimity, and includes a process for attempting to resolve objections by interested parties, as long as all comments have been fairly considered, each objector is advised of the disposition of his or her objection(s) and the reasons why, and the consensus body members are given an opportunity to change their votes after reviewing the comments." OMB Circular No. A-119, "Federal Participation in the Development and Use of Voluntary Consensus Standards and in Conformity Assessment Activities," revised February 10, 1998 <<<http://www.whitehouse.gov/omb/circulars/a119/a119.html>>> (viewed on November 30, 2001) (providing a description of criteria for consensus standards).

principles are established, we request that the various participants in the wholesale electric industry agree on a single standards organization to develop wholesale electric standards by March 15, 2002. If the industry does not agree, by March 15, 2002, on a single standards organization, we will institute our own procedures either to choose an organization to develop such standards or to develop the standards ourselves.

3. The Commission is very pleased with the consensus standards development process used by the Gas Industry Standards Board (GISB) and with its relationship with GISB. The crux of the GISB standards development process is its Executive Committee which approves standards through a consensus process requiring balanced voting of each of the five major industry segments of the natural gas industry.² Once GISB develops industry consensus standards, the Commission begins rulemaking procedures to incorporate these standards into its regulation.³ The Commission either accepts, rejects, modifies or sends them back to GISB with further guidance. When GISB has been unable to reach consensus among its segments over issues relating to regulatory policy, the Commission has resolved the policy dispute, leaving GISB to develop the technical standards needed to implement the Commission's policy determination.

4. For the Commission to have similar confidence in the process used to develop standards for the wholesale electric industry, the organization must include the following characteristics. The organization must be open to all industry members, and the standards development process, including the drafting stage, must be: open to all; ensure due process; include an appeal process; and ensure that standards are developed by the industry through a consensus process with a balance of interests.⁴ As an example of such

²The Executive Committee is comprised of 25 members from five segments of the natural gas industry, with 17 votes, and at least 2 votes from each segment, required to approve a standard. GISB subcommittees are open to both members and non-members and also use balanced voting procedures.

³The National Technology Transfer and Advancement Act of 1995, for example, requires "all federal agencies and departments [to] use technical standards that are developed or adopted by voluntary consensus standards bodies, using such technical standards as a means to carry out policy objectives or activities determined by the agencies and departments" except where inconsistent with the law or otherwise impractical. Pub. L. 104-113, 110 Stat. 775 (referenced at 15 U.S.C. § 272 note) (1994 & Supp. 2000) (NTT&AA).

⁴The function of compliance monitoring and enforcement of standards can be
(continued...)

a consensus process, GISB uses a balanced Executive Committee to ensure a consensus supporting each standard before it is submitted to the membership for approval. The procedures of such a standards group for the wholesale electric industry should similarly ensure that each adopted standard is supported by a consensus of the industry.

5. In establishing the structure and characteristics of a standards organization to develop wholesale electric business practice standards, the industry also should adopt a process to coordinate between wholesale electric business practice standards and other standards that impact the integrated North American electric grid. Business practices for wholesale electric transactions may be integrally linked with certain reliability standards, since reliability requirements often overlap with business practices; for example, congestion management supports reliability, but also may significantly affect business practices. In the same vein, there is need to ensure effective coordination with other energy standards development groups in the wholesale and retail natural gas and retail electric industries given the close interconnection between business transactions in all these areas. For example, coordination of natural gas and electric wholesale scheduling procedures should create greater efficiency and reliability for both industries. In its deliberations, the industry should consider the best process for achieving effective coordination between these related standards.

6. The Commission is confident that, based on the characteristics outlined above, the industry can cooperate in creating a single standards organization that will develop a consistent set of national business practice and communication standards that will serve to create an integrated wholesale electricity market that promotes competition and enhanced efficiency.

By the Commission.

(S E A L)

Linwood A. Watson, Jr.,
Acting Secretary.

⁴(...continued)
separate from the development and approval standards.