



North American Energy Standards Board

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TO: Advisory Council Members, NAESB Board of Directors, NAESB Executive Committee Officers, Posting for Interested Industry Participants
FROM: James Cargas, NAESB Deputy Director
RE: Minutes from the NAESB Advisory Council Meeting – February 11, 2006
DATE: February 17, 2006

**NAESB Advisory Council Meeting
Saturday, February 11, 2005
4:00 to 6:00 p.m. Eastern
Washington, DC**

1. Welcome & Administrative Items

Mr. Bruce Ellsworth, chair, NAESB Advisory Council, called the meeting to order. Mr. Bill Boswell, NAESB General Counsel, gave the antitrust advice. The draft agenda was adopted by consensus. Mr. James Cargas, NAESB Deputy Director, took the roll call.

2. Coordination with Government Agencies

a. Federal Energy Regulatory Commission (FERC)

Ms. Rae McQuade, NAESB Executive Director, reviewed the 13 regulatory filings made during 2005. In the past, GISB typically made one or two agency filings per year. With the robust activities in the two wholesale quadrants, Ms. McQuade anticipates the trend to continue in 2006. Mr. Ellsworth acknowledged the cooperation and guidance provided by FERC staff to ensure the relevance and responsiveness of these filings. Mr. Keating agreed and also applauded the NAESB staff for building a similar good working relationship with RTOs and ISOs. Ms. McQuade also provided a preview of FERC filings NAESB anticipates making in 2006. The details of these filings and plans can be found in the materials provided to the Advisory Council.

b. US Department of Energy and Sandia National Laboratories

Ms. McQuade reported that Sandia National Laboratories (SNL) is conducting an assessment of the WGQ and WEQ standards under the supervision of the US Department of Energy's Fossil Energy Office. The last assessment of the security and telecommunications standards was conducted in 1999. SNL is expected to produce its finding in 2Q 2006 and then give NAESB an opportunity to respond and make any necessary amendments to its standards.

3. Coordination with Other Standards Organizations and Energy Groups

a. National Association of Regulatory Utility Commissioners (NARUC)

The Monthly Update conference calls continue to be a success, Ms. McQuade reported. The agenda is put together each month with the help of commission staffers Diane Barney (NY), Thom Pearce (OH) and Lou Ann Westerfield (ID). This one-hour call was initially intended to benefit commission staff, but has since become very popular with NAESB members and trade association staffers seeking to follow NAESB's activities. The schedule for 2006 has been posted.

Also, Ms. McQuade will be making presentations to the NARUC Electric and Gas Subcommittees during the NARUC Winter Meeting that begins tomorrow. Her presentations will summarize NAESB's 2005 activities, 2006 Annual Plans and preview the GEIC Final Report.



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b. North American Electric Reliability Council (NERC)

Ms. McQuade described the draft NAESB-NERC coordination plan that will permit both organizations to better work together, reduce the possibility of standards overlap, and, for the first time, jointly develop and publish standards. Mr. David Cook, NERC General Counsel, concurred and supported the draft coordination plan. He also stated that the relationship between the two organizations will not change after NERC becomes the ERO.

c. Joint Interface Council (JIC)

The JIC was created by the three-way Memorandum of Understanding (MOU) between NAESB, NERC and the ISO-RTO Council (IRC). Its role is to review requests for standards from NAESB and standards authorization requests from NERC and determine where each should be assigned. Because of the differences between the two forms of requests, NAESB has found it beneficial to also submit a scoping document with some of its requests to facilitate the proper assignment.

d. Trade Associations

Ms. McQuade reported that NAESB has continued to work with EEI, NEMA, AGA, INGAA, NGSA and many other energy industry trade associations in 2005. She has kept them informed through various distribution lists so that they may keep their members informed, and voice their opinions and influence NAESB's standards development process.

e. Energy Bar Association

Mr. Cargas and Mr. Boswell were asked by the Energy Bar Association to write an article about NAESB for their *Energy Law Journal*. The title of their article will be "North American Energy Standards Board: Legal and Administrative Underpinnings of a Consensus Based Organization." Part I will provide a history of GISB and its transition into NAESB. Part II will explore the legal foundations for a federal agency delegating authority to a non-government organization and will conclude that is not the approach taken by FERC with NAESB. Part III will then explore the approach FERC has taken during the past 11 years with GISB and NAESB -- the incorporation by reference of consensus-based industry standard into FERC's enforceable regulations. The article is expected to be published in April 2006.

4. Update on Quadrant Activities

Ms. McQuade announced the redesigned Certification Program adopted by the Board on Dec. 13, 2005. The revised program incorporates a self-certification approach modeled after the Sarbanes-Oxley certifications required by the Securities Exchange Commission (SEC). This new approach eliminates the need to retain an independent reviewer, reduces the administrative burden on staff, and permits NAESB to lower the cost significantly. Also, the revised program was extended to WGQ Version 1.7 and WEQ OASIS S&CP standards. Ms. McQuade anticipates the Retail Quadrants joining the Program and the WEQ adopting a Public Key Infrastructure (PKI) component in 2006.

a. WEQ 2005 Highlights and Review of 2006 Annual Plan

As stated above, NAESB submitted its first set of WEQ standards to FERC in Docket No. RM05-5-000 on Jan. 18, 2005. Subsequently, on May 9, 2005, the FERC issued a NOPR with comments due July 1, 2005. As of yet, there has not been a final order issued.

On Nov. 20, 2005, Ms. McQuade reported the WEQ Inadvertent Interchange Payback Task Force (IIPTF) recommended not making any changes to the existing model. Two new models were developed to address this issue, however, neither one was able to gain a consensus.



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The final report of the D-U-N-S® Task Force was reviewed. The WEQ will look for alternatives since D-U-N-S® does not support the functional model. This will be an expensive change for utilities since the numbers are embedded in many of their back office systems. NAESB is continuing discussions with Dunn & Bradstreet on potential accommodations.

Ms. McQuade reported the WEQ Executive Committee (EC) adopted the Transmission Load Relief (TLR) business practices split of standards for Version "0" on Dec. 19, 2005. However, ratification will be delayed until WEQ Board members have concluded their review of TLR coordination between NERC and NAESB. Final ratification is expected in 1Q 2006. The standards will not be filed with FERC once ratification is complete, until both NERC and NAESB have reviewed the NERC and NAESB work products to determine if further changes are needed.

Ms. McQuade previewed the GEIC Final Report that is expected to be filed with FERC by the end of the month. There are several issues that were addressed in the report, but NAESB does not intend to pursue additional standards development unless the industry through broad consensus and support, or the regulators indicate that we should do so. The Board currently is voting on it notationally. Early voting indicates that it will pass, after which it will be filed.

In 2005, the WEQ received 9 requests for standards and adopted 7 new sets of standards.

With regard to membership, Ms. McQuade expressed concern about getting competitive retailers and end-users to join. In 2005, minor amendments were made to the WEQ Bylaws creating an At-Large Subsegment that better enables RTOs, RROs and ISOs to join. Although their participation at the subcommittee level continues to be strong, no new RTOs, RROs or ISOs have joined.

The 2006 WEQ Annual Plan was reviewed. It calls for the continued development of business practices to compliment reliability standards, the enhancement of OASIS business practices, and completion of PKI standards for security. New for 2006, Ms. McQuade reported, the Plan calls for the development of a joint operators training manual, the identification of e-Tag enhancements, registry enhancements, and IDC enhancements with NERC. Additional standards to be developed in 2006 will modify and complete FERC standards of conduct and affiliate reporting standards.

b. RGQ and REQ 2005 Highlights and Review of Joint 2006 Annual Plan

Ms. McQuade was very pleased to report that the Retail Electric Quadrant (REQ) and Retail Gas Quadrant (RGQ) reached a milestone with the publication of their first set of model business practices (MBPs) on Sept. 27, 2005. The Version 1.0 publication covered eight parts:

- Part 0 Glossary
- Part 1 Market participant interactions
- Part 2 Creditworthiness
- Part 3 Billing and Payments
- Part 4 Distribution company-supplier dispute resolution
- Part 5 Quadrant specific electronic delivery mechanism (EDM)
- Part 6 Contracts
- Part 7 Internet Electronic Transport (Internet ET)

In almost all instances, the MBPs are commodity neutral permitting cross industry standardization as well as intra-industry standardization where they are applied. Ms. McQuade described this as a tremendous effort by a relatively small group of individuals.

The final report of the D-U-N-S® Task Force did not recommend any changes to existing MBPs. However, if the WEQ adopts an alternative in the future, the Retail Quadrants are likely to follow.



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As discussed more fully below, the board-level Retail Structure Review Committee (RSRC) issued its final report on Dec. 6, 2005 recommending no changes to the Certificate or Bylaws at this time. The RSRC will review this recommendation in 4Q 2006.

The Retail Quadrants received 3 requests for standards and adopted 4 sets of MBPs in 2005.

The Joint Retail Annual Plan was reviewed. For the first time, the REQ and RGQ adopted a single annual plan avoiding the duplication of the past. The Joint Annual Plan still recognizes the few instances where commodity neutral MBPs are called for. Ms. McQuade stated the 2006 Plan will address billing and payments, electronic invoicing, pre-enrollment customer information and customer enrollment, switching and dropping. Additionally, the Retail Quadrants are working on a base contract for the purchase and sale of power and natural gas in retail markets.

c. WGQ 2005 Highlights and Review of 2006 Annual Plan

On May 9, 2005, the same day it issued a NOPR for WEQ Version "0", the FERC issued final Order 587-S in Docket No. RM06-1-026 adopting WGQ Version 1.7 including the gas quality reporting standards. The Commission set a Sept. 1, 2005 implementation date. WGQ has set July 31, 2006 as a target date for developing and publishing Version 1.8.

The final report of the D-U-N-S® Task Force also recommended not pursuing alternatives for WGQ at this time since the many standards using the numbers are still able to operate. However, many WGQ members have reported customer support problems, an inability to get new numbers issued in a timely manner and missing data. These issues may be resolved in the on-going negotiations with Dunn & Bradstreet.

In 2005, the WGQ received 19 requests for standards and adopted 27 sets of standards.

The 2006 WGQ Annual Plan was reviewed. It includes completing Part B of R03035 (gas quality request) and modifying the popular Base Contract to support today's market needs and the LNG industry. The WGQ will also continue to maintain over 600 business practices and electronic communications standards.

Ms. McQuade reported that the WGQ membership was the most stable of the four quadrants.

5. Discussion of Board Level Committees

a. Gas-Electric Interdependency Committee (GEIC)

Board member and NAESB Managing Committee member, Jim Templeton, chairs this committee. He reported that this Committee was formed in Spring 2004 to bring the gas and electric industries together to prevent future brown outs. In the end the GEIC produced 13 issues deserving attention, six of which could be addressed through the development of standards by NAESB or NERC. Mr. Templeton reviewed the six issues in the report. However, Mr. Templeton concluded, consensus would be difficult on these issues absent additional policy determinations from FERC. Ms. McQuade noted that representation on the Committee was equally divided between representatives from the gas and electric industries. She also said the report was expected to be adopted by the Board in mid February and filed with the FERC shortly thereafter.

Mr. W. Robert Keating, Commissioner from Massachusetts, suggested the National Regulatory Research Institute (NRRI) could assist with developing consensus on the 6 GEIC issues. Commissioner Keating emphasized the importance of resolving these issues since New England depends on 40% of its electricity needs from gas fired generation. Mr. Rowe concurred and suggested stressing the importance of the GEIC report to NARUC committee chairs. Ms. Diane Barney offered that the issues should be accompanied by risk factors and costs, after which decisions could be made by regulators on how best to address needs, possibly regionally. Mr. Thom



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Pearce suggested the NARUC Critical Infrastructure Committee could play a role in addressing some of the issues identified.

b. Certification Program Committee (CPC)

(The CPC was discussed above).

c. Resources Committee

Board member Gloria Ogenyi chairs the Resources Committee and Board member R. Scott Brown serves as the vice chair. As discussed above, the Retail Quadrants are losing members, the WEQ is slowly gaining members and the WGQ is stable. As of Jan. 12, 2006, the REQ has 29 members down from 32 a year ago; the RGQ has 27 members down from 32; the WEQ has 139 members up from 133; and the WGQ has 123 members compared to 122 a year ago.

d. Retail Awareness Committee (RAC)

Board member Cade Burks chairs this committee. He reviewed the new Retail Awareness web site which will be incorporated into the NAESB web site soon. The goal of the new site, Mr. Burks explained, was to make others aware of what is happening on a state-by-state basis. The site does not advocate any position. The site shows each state that has incorporated NAESB's standards and provides an executive overview. Any NAESB correspondence with a state regulatory community will also be posted on each state's web page. Mr. Burks sought actual contacts in each state commission who can help keep the information updated and serve as a point of contact if individuals are interested in more information.

e. Retail Structure Review Committee (RSRC)

The RSRC was formed to review whether the REQ and RGQ "should be merged and/or otherwise be restructured to bring membership levels above NAESB minimum levels." The minimum levels set forth in NAESB's Bylaws are 40 per quadrant. The REQ now has only 29 members and the RGQ now has only 27 members. Board member Bill Bourbonnais chairs this Committee and led a strategic discussion of the future of the Retail Quadrants.

On Dec. 6, 2005, the RSRC issued its report to the Board that no structural changes be adopted at this time so that the current work in support of customer choice jurisdictions may be completed. The Board adopted the report on Dec. 13, 2005, and requested that the recommendations be revisited in 4Q 2006.

A major reason for this decline, Mr. Bourbonnais explained, was the decline in retail choice not moving forward, and in some states, being reversed. The Retail Quadrants have already begun working on MBPs that support all state retail efforts, including the development of electronic retail invoicing (R05016) and a retail power and natural gas base contract (R05013). In the future, Mr. Bourbonnais said, more of their work will be in areas with national application. Mr. Keating said these efforts, which have value to all states, need to be advertised more widely. Ms. McQuade noted the NAESB newsletter has had limited impact, but the monthly update calls are very successful. Ms. Barney concurred but felt that word was not reaching the commissioner-level. The RAC outreach presentations are still needed.

Another common problem experienced by the Retail Quadrants and other trade associations is the existence of "free riders." Because it is possible to purchase the standards, use the standards and participate in meetings without joining, many retail organizations do. NAESB benefits from the increased participation, but also struggles with limited resources.

There was consensus that state commissioners have an important role in determining whether the Retail Quadrants remain relevant. The effort of the RAC in educating them about NAESB was



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stressed. Ms. McQuade acknowledged the assistance of NARUC, especially in announcing the publication of the Retail Version 1.0 standards in their newsletter. Ms. McQuade also acknowledged the willingness of the NARUC Gas and Electric Subcommittees to regularly put her on their agenda as an effective means of keeping the states informed. Ms. Ogg noted that this was a key driver in the wholesale quadrants.

Mr. Cargas noted that the Ontario Energy Board (OEB) requested a complete set of gas standards to aid in the revision of their gas regulations. In the end, however, OEB did not adopt any of them. Mr. Keating suggested that much of NAESB's work is detailed and a high level presentation of the benefits of the standards would be valuable to the commissioners. Ms. Rantala said Pennsylvania is currently reviewing their retail regulations presenting another opportunity to prove NAESB's value.

6. New Business – Election of Chair for 2006-2007

Mr. Ellsworth turned over the gavel to Mr. Boswell, who then entertained nominations for NAESB Advisory Council Chair for 2006-2007. Mr. Keating nominated Mr. Ellsworth for another term. The nomination was seconded by Mr. Gee. The nomination was supported unanimously.

8. Adjourn

The meeting was adjourned at 6:00 p.m. Eastern.

Advisory Council Members in Attendance:

1	Vickey Bailey	Partner, Johnston and Associates & Former FERC Commissioner
2	Diane Barney	New York State Department of Public Service
3	Bruce Ellsworth	Chairman, NAESB Advisory Council & Former Commissioner, N.H. Public Utilities Commission & Former Chairman, NARUC
4	Robert Gee	President, The Gee Strategies Group, & former Asst. Secretary, U.S. Dept. of Energy, & former Chair, PUC of Texas
5	W. Robert Keating	Commissioner, Massachusetts Dept. of Telecom. and Energy
6	Don Mason	Commissioner, Ohio Public Utilities Commission
7	Thom Pearce	Ohio Public Utilities Commission
8	Bob Rowe	Former Chairman, Montana Public Service Commission



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Observers in Attendance:

9	Barbara Alexander	Maine Office of Public Advocate
10	Dipka Bhambhani	Platts
11	Bill Boswell	NAESB General Counsel
12	Bill Bourbonnais	WPS Resources
13	Cade Burks	EC Power
14	David Cook	North American Electric Reliability Council (NERC)
15	Dale Davis	Williams Gas Pipeline
16	Leonard Haynes	Southern Company
17	Will Johnson	Visage Energy
18	Ruth Kiselewich	Baltimore Gas & Electric
19	David Koogler	Dominion Virginia Power
20	Melissa Lauderdale	Edison Electric Institute (EEI)
21	Michael Novak	National Fuel Gas Distribution Co.
22	Joelle Ogg	Brunenkant & Cross
23	Stacey Rantala	National Energy Marketers Association (NEM)
24	Grace Soderberg	National Assoc. of Regulatory Utility Commissioners (NARUC)
25	Jim Templeton	Comprehensive Energy Services
26	Barbara Mariner-Volpe	US Energy Information Agency (EIA)

NAESB Staff in Attendance:

27	James Cargas	
28	Laura Kennedy	
29	DeDe Kirby	
30	Rae McQuade	President
31	Veronica Thomason	