



North American Energy Standards Board

1301 Fannin, Suite 2350, Houston, Texas 77002
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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 12, 2005
DATE: February 28, 2005

**NAESB Advisory Council Meeting
Saturday, February 12, 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. Continental Congress Award from CAEM

Mr. Ken Malloy, Founder and CEO, Center for the Advancement of Energy Markets (CAEM), related the presentation of the Continental Congress Award to GISB/NAESB at CAEM's banquet on July 28, 2004. The Continental Congress award is presented to organizations whose leadership was instrumental in laying a foundation on which competition could flourish, and for "organizational leadership for creating the Gas Industry Standards Board and expanding into the North American Energy Standards Board to establish voluntary business and operating standards that have been adopted by FERC." Mr. Malloy said NAESB is doing absolutely critical work but is not well appreciated. Without the work that NAESB is doing, there would be very little hope for standardization in the markets. He hoped the award would show some degree of appreciation. Mr. Malloy also reviewed the other CAEM award winners.

3. Discussion of Recent FERC Filings

Ms. Rae McQuade, NAESB Executive Director, reviewed the regulatory filings made during 2004 and January 2005. Normally, NAESB only makes one or two agency filings per year; however, during the past year NAESB made eight. Ms. McQuade explained the increase is due to the greater interest the regulatory community is taking in NAESB's efforts and the passage of new legislation.

WGQ Version 1.7 Standards. On April 14, 2004, NAESB submitted its most current Wholesale Gas Quadrant (WGQ) Standards in Docket Nos. RM96-1-000 and RM98-1-000 et al. These standards were published by NAESB on Dec. 31, 2003. Version 1.7 updates and builds upon Version 1.6. On Dec. 21, 2004, FERC issued a Notice of Proposed Rulemaking (NOPR) proposing to adopt Version 1.7 as well as two sets of standards ratified subsequent to publication: standards implementing the standards of conduct contained in FERC Order No. 2004, and standards implementing gas quality reporting requirements. On Oct. 1, 2004, an errata to the WGQ Version 1.7 standards was filed.

WEQ Seams Catalog. On June 15, 2004, NAESB submitted, for informational purposes only, the Wholesale Electric Quadrant (WEQ) Seams Catalog which was the product of the WEQ Seams Subcommittee. The catalog identified 134 electric seams issues. Of these, the Joint Interface



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Committee (JIC), a group composed of representatives from NAESB, the North American Electric Reliability Council (NERC) and the ISO-RTO Council (IRC), concluded that 26 issues could be addressed through NAESB's promulgation of business practice standards. The balance were either reliability issues better handled by NERC, regional issues better handled by the IRC, or required further information before a consensus assignment could be made. NAESB has since received two requests for standards addressing 12 seams issues (R04020 and R04032).

WGQ Creditworthiness Standards. On June 16, 2004, NAESB submitted in Docket Nos. GT02-35-000 and GT02-38-000 the 10 WGQ creditworthiness standards approved by the WGQ Executive Committee (EC) and ratified by the WGQ membership. The WGQ Business Practices Subcommittee recommended 24 standards, which were also included in the submission as part of the record. FERC issued a NOPR on February 12, 2004 in Docket No. RM04-4-000 proposing to adopt the 10 standards plus some of the other proposed standards that were discussed at the EC but not adopted. This NOPR has since been consolidated with the Commission's consideration of WGQ Version 1.7 standards.

WGQ Order 2004 Standards of Conduct. On Aug. 6, 2004, NAESB submitted in Docket Nos. RM96-1-000, RM98-10-000 and RM01-10-000 its standards implementing the wholesale gas standards of conduct contained in FERC Order No. 2004. The standards of conduct govern the relationship between companies that transmit energy and their affiliates. Subsequently, FERC issued Order No. 2004-B on Aug. 2, 2004 and Order No. 2004-C on Dec. 21, 2004. On December 21, FERC proposed to adopt these standards in conjunction with the WGQ Version 1.7 standards with one change. Since the standards were developed prior to the issuance of Order No. 2004-A, and Revised Standard 4.3.23 does not specify a location for posting voluntary consent to information disclosure by non-affiliated customers as required by § 358 of the Commission's regulations, the NOPR proposes amending the standards to permit such postings. NAESB is in the process of making the amendment and anticipates completion before a final order is issued in the docket.

WGQ Gas Quality Reporting Standards. On Nov. 1, 2004, NAESB submitted in Docket Nos. 96-1-000 and RM98-10-000 the WGQ gas quality reporting standards. The standards provide for the posting of gas quality information on transportation service providers (TSPs) web sites, and address: (1) reporting physical and chemical properties of natural gas defined in pipeline tariffs in a standardized format on the informational postings portion of the pipeline web site, and (2) reporting the average daily gas quality data collected at points representative of mainline flow in a standardized downloadable format. In a NOPR dated Dec. 21, 2004, FERC proposed to also adopt these standards in conjunction with the WGQ Version 1.7 standards.

Ms. McQuade noted that the gas quality reporting standards represent Part A of Request No. R04035. Parts B and C were placed on hold by the Board of Directors pending the conclusion of the Natural Gas Council Plus (NGC+) technical work around March 2, 2005. Part B sought standards regarding assumptions to gas quality methodologies, and Part C sought to determine need for gas quality specification standards.

Mr. Christopher Freitas mentioned the Feb. 17-18, 2005, joint California Energy Commission (CEC) and California Public Utilities Commission (CPUC) workshop to address natural gas quality issues. The CEC is approaching gas quality specifications from an air emissions approach rather than the pipeline operation and maintenance approach of the FERC.



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Commissioner Bob Keating also mentioned that the Massachusetts Department of Energy and Telecommunications (DET) is currently drafting a white paper on LNG with sections on gas interchangeability and public safety.

Gas-Electric Coordination Task Force Final Report. On November 30, 2004, NAESB submitted, for informational purposes only, the Final Report from the Gas-Electric Coordination Task Force (GECTF). The report identified gas-electric coordination issues, provided a level of categorization of these issues, and identified which issues could be addressed through the development of NAESB standards. Since submitting the Final Report, three such requests for standards have been submitted: Request No. R04016, the development of a standard energy day; Request No. R04020, the development of standards relating to electric transaction scheduling and timelines; and, Request No. R04021, the development of standards to address daily communications between pipelines and power generation facilities. The scoping activities of GECTF have been continued by the newly formed Board level Gas-Electric Interdependency Committee (GEIC).

WEQ Version 0, OASIS and Standards of Conduct Standards. On Jan. 18, 2005, NAESB submitted in Docket No. RM05-5-000 its first complete set of wholesale electric standards. The filing included three sets of standards: (1) business practices that address Open Access Same-Time Information Systems (OASIS) and OASIS Standards & Communications Protocol (S&CP) and Data Dictionary; (2) business practices that directly related to NERC's Version 0 reliability standards for coordinate interchange, area control error (ACE) equation special cases, manual time error correction, and inadvertent interchange payback; and (3) standards implementing the wholesale electric standards of conduct contained in FERC Order No. 2004.

SDOAA Filing. In addition to the FERC filings, NAESB submitted its one-time notification under the Standards Developing Organizations Advancement Act of 2004 (SDOAA) on Sept. 17, 2004. This submission to the U.S Department of Justice Antitrust Division and the U.S. Federal Trade Commission "registers" NAESB as a Standards Developing Organization (SDO). SDOAA extends the protections provided researchers under the National Cooperative Research and Production Act of 1993, to standards developing organizations. SDOAA does not change NAESB's anti-trust responsibilities, but only limits the potential damages for violations. SDOAA also provides for SDO's to benefit from courts applying a case-by-case "rule of reason" antitrust analysis to standards development activities even where the rule of per se illegality otherwise might apply. The benefit of receiving rule of reason treatment for a questioned action that otherwise would be deemed illegal per se is significant. Finally, SDO's may recover attorneys' fees from plaintiffs that bring unsuccessful antitrust claims against them.

Each of these filings is available at: <http://www.naesb.org/Noprs.asp>.

4. Update on Quadrant Activities

Ms. McQuade reviewed the ANSI approved process for developing and amending each quadrant's annual plan. She described the process as one that creates a direct link between the Board of Directors, the Executive Committee (EC) and various subcommittees. It is also an effective management tool for the most efficient use of resources.

The 2005 schedule of Monthly Update calls was reviewed. These one-hour calls originated at the request of state regulatory staff as a means of keeping informed of the top issues at NAESB. It has since grown to include many others seeking a quick effective update of NAESB's activities.



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WEQ 2004 Highlights and Review of 2005 Annual Plan. Ms. McQuade reported that NAESB had developed an entire suite of wholesale electric standards by year-end 2004 – to address Version 0, existing FERC orders and OASIS 1A enhancements.

Ms. McQuade then led a discussion of the joint WEQ and WGQ energy day standards development efforts. She clarified that the phrase “energy day” is an umbrella term for considering standards in several areas reflecting 3 requests (Request Nos. R04016, R04020 and R04021) including: energy day, timelines and schedules for the nominations and scheduling of natural gas and timelines and schedules for the electric market, and the daily operational communications between power plant operators and pipelines. Standards could be developed in some, all of these areas or even other areas.

The history of GECTF and its list of discussion points were reviewed. GECTF did not produce standards. Rather, as a scoping committee, it generated discussion points categorized into 14 categories: energy day; communications; gas nominations timelines; electric market timelines; gas contracts/service portfolios of electric companies; electric generation gas supply verification; available transportation service provider services; natural gas industry infrastructure; electric market rules; natural gas supply real time flexibility; electric industry infrastructure; electric industry organization; energy reliability; and information. The Energy Day efforts began as an outgrowth of the GECTF’s Final Report and the resulting three requests for standards development.

The Energy Day Subcommittee has decided to pursue the communications request first (Request No. R04021). The request was submitted by Cross Country Pipelines, Natural Gas Pipeline of America and Salt River Project. While gas and electric industry participants in the Energy Day Subcommittee were unable to reach a definitive problem statement, they did determine that it was best to address the communication standards first which may lead to resolution of most issues in the other requests. There are three general aspects to the communications standards currently being discussed: (1) communications between pipelines and power generation facilities for scheduled flow of gas (submitted by NGPL); (2) communications between pipelines and power generation facilities for unscheduled flow of gas (submitted by TVA); and (3) communications between pipelines and power generation facilities for unscheduled flow of gas in extreme conditions (prepared from a ISO-NE presentation). Mr. Michael Desselle and Ms. Melissa Lauderdale discussed the differences between scheduled and unscheduled flows of gas and how both can occur even though a power plant has contracted for firm pipeline transportation if the nominations timing is out of sync. At present, there are draft standards being considered for all three aspects.

The Energy Day Subcommittee has a very aggressive schedule, meeting every other week for two-day meetings for the next several months. With this schedule, NAESB is planning to complete the communications standards by FERC Chairman Pat Wood’s June 1, 2005 deadline. Commissioner Keating noted that a lot of finger pointing was produced by the January 2005 near-brown out in New England. He appreciates NAESB’s efforts to find solutions and not finger point.

Mr. Leonard Haynes said the Board-level GEIC was established to keep the GECTF efforts going forward and continue their scoping activities.

RGQ and REQ 2004 Highlights and Review of 2005 Annual Plans. Ms. McQuade reported that there are now several hundred standards developed for the retail markets and the technical model business practices are reflected in the regulations of several states. She described the retail quadrants as extremely productive given their smaller size.



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WGQ 2004 Highlights and Review of 2005 Annual Plan. Ms. McQuade reported that more than six hundred (600) standards have been developed for the wholesale gas market, most of which are now reflected in FERC regulations. NAESB is in its 8th (v1.7) release of the WGQ standards and working on the 9th (v1.8) release.

Mr. Freitas noted that there has not been an update of the Sandia National Laboratory review of the security aspects of the WGQ standards since Version 1.5. Ms. McQuade offered to coordinate with the U.S. Department of Energy on a security review of the WGQ standards and noted that a review of the new WEQ Version 0 or Version 1 standards would also be extremely valuable.

5. Discussion of Board Level Committees

Mr. Cargas led a discussion of the five new committees created by the Board of Directors which report directly to the Chairman.

Gas-Electric Interdependency Committee (GEIC). Board member and NAESB Managing Committee member, Jim Templeton, chairs this committee. As discussed earlier, GEIC is continuing the efforts of the GECTF. The committee is engaged in high level review of what types of activities related to gas and electric interdependency could result in NAESB standards development. It is also identifying areas requiring further policy development before standards can be drafted.

Retail Awareness Committee (RAC). Board member and president of EC Power, Cade Burks, chairs this committee. RAC "is charged with increasing the awareness of the retail quadrants' model business practices with the state regulatory agencies, other related government agencies and the retail market industry participants. Increasing the awareness of the NAESB work products and plans is not considered advocacy but rather a form of education of NAESB efforts."

RAC recently sent a letter to 24 states with some degree of retail competition offering to visit and provide an education on model business practices already developed and those being developed. The letter also sought input from the state commissions on NAESB's Annual Plans and suggested areas for further standards development. The states included: AZ, CA, CT, DE, DC, IL, ME, MD, MA, MI, NH, NJ, NY, OH, OR, PA, RI, TX and VA. Thus far, Commissioner Rachel of DC and Commissioner Parsley of Texas have scheduled meetings or conference calls. The RAC is also collecting success stories and testimonials showing the practical application of the retail standards.

Mr. Malloy noted that state commissions have historically developed gas and electric regulations separately, and, as a result, regulatory convergence has not occurred to any great degree. He applauded NAESB's two retail quadrants for working together and developing commodity neutral model business practices.

Committee Reviewing Software Certification Program. A chair has not been appointed to lead this new committee yet. Its mission is to review the existing WGQ software certification program which offers certification of both individuals and software products as being compliant with NAESB standards, i.e. WGQ Version 1.6. The current fee is \$7,500 plus any costs incurred for a third-party review of the software. This committee will consider moving to a self-certification program which could reduce the costs, increase participation, and eliminate the possibility of competitors reviewing each others software products. The revised program will also need to be applicable to all four quadrants' standards.

Committee Studying Retail Quadrants' Membership Levels. A chair has not been appointed to lead this new committee yet. Its mission is to review whether the Retail Electric Quadrant and Retail



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Gas Quadrant “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. Both the REQ and RGQ currently have 32 members each. Mr. Boswell noted that the 40 member threshold was an arbitrary number, and that the only requirement is that a report be sent to the Board. No action is actually required on the report. The Board has requested that the committee report no later than 4th Quarter 2005. Mr. Haynes said that three options will be considered: (1) combine the two quadrants into one; (2) work with the Resources Committee to increase the number of members above 40 each; and (3) work with RAC to increase the awareness of retail gas and electric standards which could also increase the number of members above 40.

Resources Committee. Board member and Director of Energy & Market Policy of Conectiv, Gloria Ogenyi, chairs the Resources Committee. The purpose of this committee is to analyze the decline in NAESB membership and take action to reverse it. The committee has set as its goal the addition of 30 net new members by Spring 2005. The committee’s members have revised many of the membership materials and membership web page; and are conducting outreach to prospective members. To date, they have added 11 net new members. Mr. Ellsworth offered the assistance of the Advisory Council in these efforts.

6. Membership

Membership Decreasing; Participation Increasing. During the past year, Ms. McQuade reported, NAESB has seen participation in standards development activity grow while membership has declined slightly. WEQ has declined from 175 to 132. Retail has decreased from 42 each to 32 each, and WGQ has declined from 130 to 122. From the numbers cited, it is clear that not all FERC regulated entities are members, and membership does not automatically extend to affiliates. However, those members who are not members can purchase the standards at a modest cost. The number of meetings and calls has increased and the number of participants in those meetings including non-members has also increased. On the average, there were 450 participants by phone per month with an equal number of participants attending meetings in person. NAESB is also offering web casting which has proven very effective for the detailed editing of draft standards language. As discussed earlier, the Resources Committee and RAC are working to reverse this trend by increasing membership. NAESB is also coordinating with the NERC Markets Committee to identify and approach prospective members.

Promotional Dues Extended. Ms. McQuade noted that the Board has extended promotional dues to up to three consumer advocate or regulatory representatives to become voting members of the End-Users Segments of the RGQ, REQ, and WEQ of NAESB at a reduced annual membership of \$500 each. Regular dues are \$5,000 per year. Organizations can also subscribe to Home Page Access for \$3,500 per year. While Home Page Access does not represent membership or extend voting rights, it does extend many of the benefits of membership to the organization and its employees.

Potential WEQ Reorganization. Mr. Desselle reported that NAESB is holding a meeting on February 17 for the WEQ to discuss where regional reliability organizations (RROs) and service entities would join. The determinations reached may also address involvement for regional transmission organizations (RTOs) and independent system operators (ISOs), although NAESB has received a letter from the ISO-RTO Council noting that they are not seeking specific segments, Board or EC seats. The upcoming meeting is a repeat of a meeting held in October. It is being held as a result of a membership challenge. FERC mediation specialist Rick Miles has graciously agreed to facilitate the meeting.



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7. New Business

Ideas and Suggestions from the Floor.

Mr. Ellsworth applauded the work done on coordinating the natural gas and electric industries and suggested that the Advisory Council draft a letter of support to the Board. The suggestion was approved by consensus. Mr. Ellsworth will draft a letter for review by Advisory Council members.

The past successful coordination between NERC and NAESB was acknowledged. With the retirement of the NERC Market Committee, Mr. Desselle explained that future coordination between NAESB and NERC will happen formally through he and Ms. McQuade holding positions on the NERC Technical Steering Committee and participating in a weekly conference call. He also noted that informal coordination will happen through the participation of NAESB members in NERC activities, the joint meeting of NERC and NAESB standards drafting groups, and NERC and NAESB liaisons.

Mr. Freitas suggested that NAESB's retail quadrants review CAEM's Red Index to identify areas of potential standards development.

Election of Chair for 2005-2006. Ms. McQuade entertained nominations for NAESB Advisory Council Chair for 2005-2006. Mr. Thom Pearce nominated Mr. Ellsworth for another term. The nomination was seconded by Commissioner Keating. The nomination was supported unanimously.

Mr. Ellsworth thanked the Council for their support and encouraged them be more active between annual meetings. Mr. Malloy thanked everyone for inviting him to join the Advisory Council and recognized Ms. McQuade for over eleven years of achievements.

8. Adjourn

The meeting was adjourned at 6:10 p.m. Eastern.

Observers:

Bill Lohrman	North American Electric Reliability Council (NERC)
Joelle Ogg	Brunenkant & Cross, LLP
Lawrence Paulson	Hoffman-Paulson Associates

NAESB Members and Staff:

Bill Boswell	NAESB General Counsel
Bill Bourbonnais	Vice President of Transmission, WPS Resources Corp. and NAESB Board member
James Cargas	NAESB Deputy Director
Michael Desselle	Director of Public Policy, American Electric Power, and NAESB Chairman
Leonard Haynes	Executive President and Chief Marketing Officer, Southern Company, and NAESB Board Officer and Managing Committee member
Ruth Kiselewich	Director of Special Projects and Supplier Serv., Pricing and Reg. Serv., Baltimore Gas & Electric Co., and NAESB Executive Committee Chair, REQ
Melissa Lauderdale	Edison Electric Institute (EEI), and WEQ member
Rae McQuade	NAESB Executive Director
Veronica Thomason	NAESB Executive Assistant



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2004-2005 Advisory Council:

Bruce Ellsworth	Chairman, NAESB Advisory Council & Former Commissioner, N.H. Public Utilities Commission & Former Chairman, NARUC
Charles Acquard	Executive Director, NASUCA
Diane Barney	New York State Department of Public Service
Denise Bode	Chairman, Oklahoma Corporation Commission
John Bulger	Member, National Energy Board
Laura Chappelle	Commissioner, Michigan Public Service Commission
Steve Chesebro'	Chairman, Harvest Natural Resources & Founding and First Chairman, Gas Industry Standards Board and North American Energy Stds. Board
Alex DeBoissiere	Vice President, Government Regulations, Midwest ISO
David Eichenlaub	Virginia Corporation Commission
Christopher Freitas	Program Manager, U.S. Department of Energy
Robert Gee	President, The Gee Strategies Group, & former Assistant Secretary, U.S. Dept. of Energy, & former Chair, Public Utility Comm. of Texas
Charles Gray	Executive Director, NARUC
Craig Goodman	Executive Director, NEM
Sheila Hollis	Partner, Duane, Morris & Heckscher
W. Robert Keating	Commissioner, Massachusetts Department of Public Utilities
James Kerr, II	Commissioner, North Carolina Utilities Commission
Rebecca Klein	Former Chair, Texas Public Utility Commission
Jerry Langdon	Executive V.P. and Chief Administrative Officer, Reliant Resources & Former FERC Commissioner
Ruth Kretschmer	Vice President of Policy and Business Development, GEV Corporation, & former Commissioner, Illinois Commerce Commission
Don Mason	Commissioner, Ohio Public Utilities Commission
Charles Matthews	Commissioner, Texas Railroad Commission
John McCarthy	Acting Chief Operating Officer, National Energy Board
Raul Monteforte	Comisionado, Comision Reguladora de Energia
Dave Nevius	Vice President, NERC
Thom Pearce	Ohio Public Utilities Commission
Roland Priddle	Former Chairman, National Energy Board
Bob Rowe	Former Chairman, Montana Public Service Commission
Howard Shafferman	Partner, Ballard Spahr Andrews and Ingersoll
Veronica Smith	Executive Director, Pennsylvania Public Utility Commission
Lou Ann Westerfield	Idaho Public Utility Commission