



NORTH AMERICAN ENERGY STANDARDS BOARD

1301 Fannin, Suite 2350 • Houston, Texas 77002 • Phone: (713) 356-0060 • Fax: (713) 356-0067
email: naesb@naesb.org • Web Site Address: www.naesb.org

October 5, 2006
For Posting

TO: NAESB Wholesale Electric Quadrant (WEQ) Board Members
FROM: Rae McQuade on behalf of Michael Desselle
cc: NAESB Managing Committee, Bill Boswell, Marvin Rosenberg, Rick Miles, Deirdre Gallagher, Laura Kennedy, Veronica Thomason, DeDe Kirby, Craig Glazer, Phillip Harris
RE: WEQ Request for Notational Vote on Direction to be given to the Drafting Collaborative regarding amendments to the WEQ Procedures for the creation of an Independent Grid Operator/Planner Segment

Dear WEQ Board Members,

Since our discussions at the 9-21-06 Board meeting regarding ISO and RTO participation in the WEQ of NAESB through the creation of an Independent Grid Operator/Planner segment, several efforts have been underway to determine how best to proceed. Attached is a chronology that leads Mr. Desselle to ask for your notational vote on whether you support or oppose the creation of an Independent Grid Operator/Planner Segment. In the chronology of events table attached, where a document is noted that it is provided separately, a hyperlink to the document is given. A projected timeline is also given, where each event is dependent on the affirmative vote of the ballot directly preceding it.

The ballot for the board resolution is attached along with those Board members eligible to vote and their contact information. The board resolution, if adopted, provides direction to the Drafting Collaborative to amend the WEQ procedures to support the recommendation¹ forwarded to the ISOs and RTOs, it recognizes the concerns raised at the 9-21-06 Board meeting and provides the newly created segment the time to determine if sub-segments are warranted, and for their business interests, which sub-segmentation best approximates their functions. At any time, if WEQ Board members determine that Section 2.4 of the WEQ Procedures is not being followed by the new segment or by any other segment, the WEQ Board members may take appropriate action.

We would appreciate your return of the ballot either via fax (713-356-0067) or via email (vthomason@naesb.org) by **October 19**. We appreciate everyone's patience and consideration as we move forward on this issue.

Best Regards,

Rae

Rae McQuade, NAESB President

¹ The recommendation proposed by the Board Named Committee on 8-24-06 is as follows: "If the following four conditions are met, the Board Committee supports the creation of a sixth segment in the WEQ Quadrant: Independent Grid Operators/Planners, to be composed of ISOs, RTOs and other independent grid operators - with no subsegments defined at this time. The sixth segment will have 7 Board seats and 7 EC seats, as required by the NAESB bylaws. The conditions to be met are (a) The IRC and NAESB support the dissolution of the JIC and will pursue such action with NERC, (b) the creation of the new segment will comply fully with the WEQ subsegment principles as noted in Section 2.4 on the WEQ Procedures, (c) the "At Large" subsegment in the other five segments will be redefined to exclude the ISOs, RTOs and other independent grid operators and planners, and (d) the nine IRC members will join NAESB as members and commit resources to the development of NAESB business practices."



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Chronology of Events

- 3-22-06 Ms. McQuade was asked by NAESB WEQ leadership to send a letter to ISO and RTO presidents asking for their participation and membership in NAESB, notes provided separately. http://www.naesb.org/pdf2/weq_leadership032206notes.pdf
- 4-28-06 Ms. McQuade sent the above noted letter to each ISO and RTO president, letter provided separately. http://www.naesb.org/pdf2/weq_082406w6.doc
- 6-7-06 Mr. Harris responded to Ms. McQuade's letter on behalf of the ISO-RTO Council (IRC), letter provided separately. http://www.naesb.org/pdf2/weq_082406w8.pdf
- 6-22-06 NAESB Board of Directors approved action for Mr. Desselle to create a Named Board Committee to address ISO and RTO participation in NAESB with the IRC leadership, notes provided separately. <http://www.naesb.org/pdf2/bd062206fm.doc>
- 8-24-06 NAESB Named Board Committee held a meeting with IRC leadership to discuss how best to address ISO and RTO participation in NAESB, notes provided separately. http://www.naesb.org/pdf2/weq_082406_notes.doc
- 9-20-06 WEQ Leadership Meeting, during which the NAESB Named Board Committee recommendation reached on 8-24-06 was discussed, notes provided separately. http://www.naesb.org/pdf2/weq_leadership092006notes.doc
- 9-21-06 NAESB Board Meeting, during which the NAESB Named Board Committee recommendation reached on 8-24-06 was discussed, notes provided separately. <http://www.naesb.org/pdf2/bd092106dm.doc>
- 9-21-06 Response to the recommendation received from Mr. Harris on behalf of the IRC, letter provided separately. <http://www.naesb.org/pdf2/bd092106w2.doc>
- 9-26 to 10-3-06 Various outreach and communications among WEQ Board members to determine how best to proceed and address the concerns raised regarding the issues segment blocking and sub-segment definitions.
- 10-4-06 Response received from Mr. Glazer on behalf of the IRC regarding segment definition and note on creation of subsegment definition, note provided separately. <http://www.naesb.org/pdf2/bd092106w3.doc>
- 10-5-06 Notational ballot sent out requesting endorsement of specific direction to the WEQ Procedures Drafting Collaborative Task Force regarding changes to the WEQ procedures to accommodate creation of a sixth segment; procedures provided separately. http://www.naesb.org/pdf/weq_quadrant_procedures.pdf

Projected Timeline

- 10-19-06 Deadline to return notational ballot.
- 10-20-06 Results reported for the ballot. If affirmative, request to modify WEQ procedures sent to the Drafting Collaborative.
- 11-3-06 Proposed date for drafting collaborative to complete effort as described in the Board directive, including General Counsel review for consistency with certificate and bylaws.
- 11-6-06 If the drafting collaborative is successful in meeting the Board directives, a notational Ballot to Board members to vote on collaborative efforts will be sent out on this date.
- 12-6-06 Board notational ballot complete.



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Chronology of Events

- 12-7-06 If the notational ballot is affirmative in approval of the amended procedures, a WEQ member ratification ballot is sent out on this date.
- 1-8-07 Ratification complete. If the ratification supports the creation of the new segment. elections for new seats are held.
- 1st Q-07 WEQ Board members seated at first Board meeting for 2007.



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October 5, 2006

**NAESB Wholesale Electric Quadrant Board Member Notational Ballot
Due October 19, 2007 (Fax 713-356-0067, email ythomason@naesb.org)**

Given that:

(1) the leadership of the ISOs and RTOs fully support the four conditions outlined by the NAESB Board Named Committee on August 24, as shown below:

If the following four conditions are met, the Board Committee supports the creation of a sixth segment in the WEQ Quadrant: Independent Grid Operators/Planners, to be composed of ISOs, RTOs and other independent grid operators - with no subsegments defined at this time. The sixth segment will have 7 Board seats and 7 EC seats, as required by the NAESB bylaws. The conditions to be met are: (a) the IRC and NAESB support the dissolution of the JIC and will pursue such action with NERC, (b) the creation of the new segment will comply fully with the WEQ subsegment principles as noted in Section 2.4 on the WEQ Procedure, (c) the "At Large" subsegment in the other five segments will be redefined to exclude the ISOs, RTOs and other independent grid operators and planners, and (d) the nine IRC members will join NAESB as members and commit resources to the development of NAESB business practices.

and

(2) the organizations that would populate the new segment would not be present in any other segment of the WEQ,

Then:

The WEQ Board members support providing the following direction to the WEQ Drafting Collaborative (Section 18 of the WEQ Procedures): Modify the WEQ Procedures to create a sixth segment without the definition of sub-segments. The new segment, "Independent Grid Operators/Planners" is defined as "Any entity in North America authorized by an appropriate governmental authority to operate as a regional transmission organization, independent system operator, independent tariff administrator or independent planning entity and which does not have a business or financial interest in any other WEQ segment." Once created, the new segment may propose the establishment of sub-segments which shall comply with 2.4 of the WEQ procedures.

BOARD MEMBER ACTION REQUESTED:

As a NAESB WEQ Board Member, I support the above direction to the WEQ Drafting Collaborative to draft amendments to the WEQ Procedures and bring such amended procedures back to the Board of Directors for approval and subsequent member ratification, in accordance with section 18 of the WEQ Procedures:

YES

NO

Signature: _____

Date: _____



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NORTH AMERICAN ENERGY STANDARDS BOARD 2006 Wholesale Electric Quadrant Board Members Eligible to Vote on Notational Ballot

SEGMENT/MEMBER	TITLE/ORGANIZATION	TERM	SUBSEGMENT
TRANSMISSION			
Dan Klempel	Director Transmission Regulatory Compliance, Basin Electric Power Cooperative	12-31-2007	Muni/Coop
W Terry Boston	Executive Vice President – Transmission/Power Supply Group, Tennessee Valley Authority	12-31-2006	Fed/State/Prov.
John E. Lucas	Manager, Transmission Services, Southern Company	12-31-2006	IOU
Michael Desselle	Chief Administrative Officer and Vice President of Process Integrity – Southwest Power Pool	12-31-2007	IOU
Paul McCoy	Managing Director & Chief Operating Officer, Trans-Elect	12-31-2006	ITC
V A C A N C Y		12-31-2007	ITC
Ken Wiley	President and Chief Executive Officer, Florida Reliability Coordinating Council	12-31-2007	At-Large
GENERATION			
Curtis Winterfeld	Vice President of Power Marketing, Deseret Generation & Transmission Cooperative	12-31-2007	Muni/Coop
Belinda Thornton	Senior Manager – Real Time Trading, Tennessee Valley Authority	12-31-2006	Fed/State/Prov.
V A C A N C Y		12-31-2006	IOU
Charles W. Severance	Manager – Supply & Wholesale Services, Wisconsin Public Service Corporation	12-31-2007	IOU
Michael Gildea	Executive Director, Regulatory Affairs, Constellation Generation Group	12-31-2007	Merchant
Gloria Ogenyi	Vice President Energy Policy, Conectiv Energy Supply, Inc.	12-31-2006	Merchant
Ron Mucci	Manager, Regulatory Affairs, Williams Power Company	12-31-2007	At-Large
MARKETERS/BROKERS			
Roy True	Manager of RTO Market Development, ACES Power Marketing	12-31-2006	Muni/Coop
Jeff Ackerman	Manager, Colorado River Storage Project Energy Management and Marketing Office, Western Area Power Administration	12-31-2007	Fed/State/Prov.
Michael Grim	Director of Markets and Regulation, TXU Business Services	12-31-2006	Not IOU Affiliated
V A C A N C Y		12-31-2007	Not IOU Affiliated
Joseph Hartsoe	Vice President and Associate General Counsel, American Electric Power Service Corp.	12-31-2006	IOU
R. Scott Brown	Vice President and Director, Exelon Generation Power Team	12-31-2007	IOU
Rick Smead	Director, Navigant Consulting, Inc.	12-31-2007	At-Large



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SEGMENT/MEMBER	TITLE/ORGANIZATION	TERM	SUBSEGMENT
DISTRIBUTION			
Arthur G. Fusco	Vice President and General Counsel, Central Electric Power Cooperative Inc.	12-31-2006	Muni/Coop
Barry R. Lawson	Manager-Power Delivery, National Rural Electric Cooperative Association	12-31-2007	Muni/Coop
Mark Crosswhite	Senior Vice President & General Counsel – Generation and Energy Marketing, Southern Company	12-31-2006	IOU
Frank Johnson	Senior Vice President Electric Transmission and Distribution, Consumers Energy	12-31-2007	IOU
V A C A N C Y		12-31-2006	Competitive Retailer
V A C A N C Y		12-31-2007	Other
Bruce Ellsworth	New York State Reliability Council	12-31-2007	At-Large
END USERS			
V A C A N C Y		12-31-2007	End Use (Also in another segment)
Carol Guthrie	General Manager, Electric Market Strategies, ChevronTexaco Energy Research and Technology Company	12-31-2006	End Use (Self Generator)
John Reese	Senior Policy Advisor & Director of the Office of Economic Development and Policy, New York State Department of Public Service	12-31-2006	Regulator
V A C A N C Y		12-31-2007	Residential/Commercial
Jeanne Zaiantz	Director, Regulatory Affairs, BP Energy Co.	12-31-2006	Large Industrial
John A. Anderson	President and CEO, Electricity Consumers Resource Council (ELCON)	12-31-2007	Large Industrial
Kevin Burns	Vice President Sales and Marketing, Open Access Technology International, Inc.	12-31-2007	At-Large