



North American Energy Standards Board

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NAESB BOARD OF DIRECTORS MEETING MATERIALS UPDATES ON SPECIFIC EFFORTS FEBRUARY 28, 2007

WEQ ORDER 890, TLR AND ATC EFFORTS

- The WEQ BPS continues to meet jointly with NERC to complete the TLR transition of business practices to NAESB. Most recently, on February 27-28, 2007, the WEQ BPS met jointly with the NERC TLR Drafting Team in Birmingham, Alabama hosted by Southern Company. During this meeting, the joint groups heard a Report of Incremental Changes that Have Been Incorporated into the Existing NAESB TLR Standards; worked on the Mapping of NERC IRO-006 Attachment 1; discussed the NERC Field Test for MISO and PJM; and developed an IDC Reference Document for TLR. The group has planned a meeting for March 19, during which the BPS will discuss the progress of NERC TLR Drafting Team and draft language to address minor changes identified during the last meeting with the NERC TLR Drafting Team including a revision to TLR Level 5a. **The TLR timeline is attached to provide additional context.** It was NERC's expectation at the beginning of this year that the TLR split would be completed in March. NAESB had ratified the TLR split standards in April of last year.
- The WEQ BPS with the ESS/ITS continue to meet jointly with NERC to address ATC issues. The subcommittees reviewed the draft language for NERC MOD002, and MOD003. and began drafting language to address items 1A and 3E of Request No. R05004A, as well as items 2 and 3D (CBM). NERC has proposed transferring MOD003 to NAESB. The NERC ATC Drafting Team also made assignments on various aspects of ETC and TRM and discussed changes that need to be made to NERC FACs 12 and 13. On April 17, the group has planned to:
 - (1) review draft language for business practices to incorporate the requirements of NERC MOD003 (NERC plans to retire this standard);
 - (2) draft language to address adoption of requirements currently in MOD006 (NERC plans to retire this standard);
 - (3) review draft language for business practices for frequency and posting requirements for all ATC components;
 - (4) identify need for additional business practices to complement MOD001; and
 - (5) identify how to account for counterflows in the posting requirements.
- FERC issued a Final Rule (Order 890) on [Preventing Undue Discrimination and Preference in Transmission Service](#). This order will require extensive changes to NAESB OASIS standards, addresses ATC/TTC standards already under development, will create new transparency reporting and new services – all of which will require modified or new NAESB standards. The order was published in the Federal Register on March 15, 2007, which began the clock for meeting deadlines. A matrix has been drafted outlining NAESB commitments to standards development and the subcommittees and others have been asked to prepare comments by each item for assignment to committee and listing of the tasks entailed. **The matrix is attached to provide additional context.** The comments are due into the office by March 19. A conference call has been scheduled with FERC staff for March 27 to review our efforts to date.

WEQ STRUCTURE – 6TH SEGMENT

- On April 28, 2006, a [letter](#) was sent to each of the presidents of the ISOs and RTOs explaining the maturation of our organization and requesting their support, leadership within NAESB and participation. We have received positive responses for Ercot, CAISO and IESO. Commission staff is aware of this letter. On June 7, 2006, Phil Harris of PJM forwarded a [response](#) to the April 28 NAESB letter referenced above on behalf of the ISOs and RTOs. On August 24, 2006, a meeting was set up to discuss the response of the IRC and to discuss the feasibility of a segment created for ISOs and independent transmission planners. It was held in Washington D.C. and facilitated by Mr. Miles of FERC.
- A [recommendation](#) was drafted by the group and accepted by the IRC. The recommendation has the following:
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



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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:

- (1) The IRC and NAESB support the dissolution of the JIC and will pursue such action with NERC,
- (2) The creation of the new segment will comply fully with the WEQ subsegment principles as noted in Section 2.4 on the WEQ Procedures,
- (3) 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
- (4) The nine IRC members will join NAESB as members and commit resources to the development of NAESB business practices.

- On October 19, 2006, the WEQ Board was asked to [vote notationally](#) on giving directions to the Drafting Collaborative to amend the WEQ Procedures to permit the creation of a 6th segment. The [vote passed](#). The Drafting Collaborative met on [November 28](#), during which the procedures were revised and approved. The WEQ Board voted to approve the [revised procedures](#) on [December 28](#), and the WEQ members ratified the procedures on [February 2, 2007](#). The organization is in the process now of setting up the 6th segment for the WEQ. Nominations for the Board and EC seats are due April 13. **The letter asking for candidates is attached to provide additional context.**

WEQ DRAFTING COLLABORATIVE CONSIDERATIONS

- The WEQ Leadership Group is discussing a request to modify the WEQ Procedures to remove the restriction that an individual cannot hold both a Board and EC seat concurrently. **The letter describing the effort is attached to provide additional context.**

RETAIL DSM AND EE

- A meeting will be held on April 11, hosted by the Department of Energy to begin work on the request forwarded by Advanced Energy. **The invitation letter and the request itself are attached to provide additional context.**

WGQ GAS QUALITY

- On January 4, the WGQ BPS met via conference call to review the outcome of the December 7, 2006 WGQ EC meeting and consider and draft language for gas quality standards related to Recommendation R06008 (Modify WGQ Business Practice Standard 4.3.90 to clarify that all available data at representative points should be made available by Transmission Service Providers). In January 12, the WGQ BPS met via conference call to continue work on standards language as related to Recommendation R06008 and Gas Quality Standards. On February 8, the WGQ BPS met to continue development of a revised Recommendation for R06008. The meeting resulted in several revised proposed standards that will be posted for formal comment and considered by the WGQ Executive Committee in May 2007. **The business practice standards drafted by the group are attached along with the last set of minutes to provide additional context.** It is expected that the WGQ EC will vote out these standards at the May 10 meeting. This has been a contentious effort as can be noted by the votes taken.

WGQ GAS-ELECTRIC INTERDEPENDENCY

- **October 25, 2006:** FERC issued notices of proposed rulemakings for [Docket Nos. RM96-1-027 and RM05-5-001](#) as well as an [order instituting inquiries for ISOs and RTOs](#) regarding gas-electric coordination issues (Docket Nos. EL07-1, EL07-2, EL07-3, EL07-4, EL07-5 and EL07-6). The NOPRs outline the expectation that the FERC will adopt NAESB gas-electric coordination standards. The NOPRs appeared in the [Federal Register](#) on November 3, which began the clock for commenting. The comments and intervening comments have been filed.



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- Three areas may require NAESB WGQ standards development. The development activity is included in the WGQ Annual Plan as a development item. If standards are needed for these areas, they would be specific to WGQ and as such would be addressed by the WGQ. Other quadrants are encouraged to participate and indeed vote if standards development is warranted. The three areas are:

1. For indexed pricing of released capacity, as noted in paragraph 18 of the NOPR:

18. The Commission clarifies that, as it stated in Panhandle, releasing shippers should be free to offer the same type of pricing arrangements that the pipeline offers and, therefore, releasing shippers are free to use gas price indices in pricing released capacity so long as the rate paid by the replacement shipper does not exceed the maximum rate in the pipeline's tariff. As the Commission stated in Northern, "rate formulas that produce varying rates during the term of an agreement are permissible as discounted rates, so long as the rate remains within the range established by the maximum and minimum rates set forth in the pipeline's tariff."

a review of the NAESB WGQ standards may be warranted to ensure that they support pricing arrangements.

2. For within-the-path scheduling, as noted in paragraph 21 of the NOPR:

21. The scenario posed by NAESB is a slight variation of the within-the-path scheduling as described in Order No. 637-B. Although the shipper has scheduled capacity through a posted point of constraint, the secondary delivery point it seeks to use is outside of its transportation path. In most cases, it would be reasonable to permit the reassignment as posited by NAESB, since the shipper seeking to redesignate delivery points already has a transportation contract with primary points through the posted constraint point and has scheduled gas through that point so that reallocating gas to a different delivery point would not pose an operational problem. The only possible caveat would be if the shipper (Shipper 1) seeks to redesignate a secondary delivery point (outside its path) that is also being requested by another shipper, and the delivery point is within the path of the Shipper 2. If both secondary nominations to that point cannot be accepted, as in the case of the example above, Shipper 2, with a contract path through the secondary point, would have priority.

a review of existing standards to determine if modifications are needed may be warranted.

3. For changes to the intraday nomination timelines, as noted in paragraph 23 of the NOPR:

23. Any standards that would allow better coordination between scheduling of gas and electric markets would be of benefit to both industries, and we encourage NAESB to continue its efforts to develop such standards. With respect to intra-day nominations, the Commission's regulations provide that firm transportation capacity must be accorded scheduling priority over interruptible transportation capacity. At the same time, however, the Commission has recognized the interest of interruptible shippers in achieving business certainty by making the last intra-day nomination opportunity one in which firm nominations do not bump interruptible nominations:

making the third intra-day nomination non-bumping creates a fair balance between firm shippers, who will have had two opportunities to reschedule their gas, and interruptible shippers and will provide some necessary stability in the nomination system, so that shippers

can be confident by mid-afternoon that they will receive their scheduled flows."

However, within the confines of these policies, NAESB may consider whether changes to existing intra-day schedules can better provide for coordination between gas and electric scheduling. For instance, the current NAESB standards require intra-day nominations to be submitted by 10 a.m. (bumping) and 5 p.m. (non-bumping). There is no reason why another bumping intra-day nomination opportunity could not be introduced between these two or that the timing of these intra-day nomination opportunities could not be adjusted to better coordinate with electric scheduling.

a review of existing standards to determine if modifications are needed may be warranted.



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WEQ AND WGQ E-TARIFF EFFORTS

- Joint WEQ and WGQ meetings have been held to identify business practices that would support an e-Tariff system. The first meeting was held on February 1 at the FERC, opened by Chairman Kelliher. Proposals from INGAA, EEL, AOPL and Texas Intrastate Association were given, along with a review by FERC staff of requirements to be met for an e-Tariff program. On March 13, 2007, the second meeting was held at NAESB offices, chaired by Keith Sappenfield and Jane Daly. The FERC staff further delineated their requirements and answered questions from EEI and INGAA. The group began drafting standards and comments are due by April 12. Upcoming meetings are scheduled for April 26 in Washington DC hosted by AGA, and June 4, in Phoenix, hosted by APS to continue drafting standards. **The draft minutes from February 1 are attached to provide additional context.**