



North American Energy Standards Board

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via email

TO: NAESB Retail Structure Review Committee and Managing Committee Members, and Posting for Interested Parties

FROM: James Cargas, NAESB Deputy Director

RE: Notes from Retail Structure Review Committee Conference Call on June 1, 2005

DATE: June 2, 2005

Dear NAESB Retail Structure Review Committee and Managing Committee Members,

A Retail Structure Review Committee (RSRC) conference call was held on June 1, 2005. The following notes and assignments resulted from the meeting.

Retail Structure Review Committee:

Wednesday, June 1, 2005

- Administrative:
- Mr. Cargas reviewed the anti-trust warning and took roll-call.
 - The draft agenda was adopted by consensus.
- Adoption of Mission Statement:
- The committee name, "Retail Structure Review Committee," was ratified by consensus.
 - The following draft mission statement was reviewed and adopted by consensus:
The Retail Structure Review Committee functions solely at the pleasure of the NAESB Board of Directors and reports to the NAESB Board of Directors through the NAESB Board Managing Committee. The Committee will make recommendations to the full board to address the membership levels in the retail electric and retail gas quadrants through possible changes to NAESB By-laws, structural changes to the quadrants or their segments including merger of the two quadrants.
- Additional RSRC Members:
- Ms. McCain of Duke Energy Gas Transmission, a member of the RGQ Executive Committee, was invited to join the Committee.
 - Membership is open to all Board members and others upon the appointment of the NAESB Chair. Others were welcome to join by contacting either the NAESB Office or Mr. Maassel.
 - It was noted that the entire Board would have an opportunity to review the Committee's work when RSRC makes its recommendation and report to the Board.
- Discussion of Root Causes:
- Section 2.3 of the Bylaws requires each quadrant to have at least 40 members, including at least 5 voting members in each segment.
 - The Retail Gas Quadrant (RGQ) currently has 31 members and only 4 voting members in the end-users segment. The Retail Electric Quadrant (REQ) currently has 29 members and only 4 voting members in the end-users and suppliers segments.



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Discussion of Structural Changes:

- The single greatest reason for low membership is the change in the retail marketplace since NAESB's formation. These changes include: the lack of momentum for opening competitive markets, the loss of the largest proponent for competition at the state level (Enron), the increase in commodity prices, and the reliance of end-users on trade associations for representation. This change is still ongoing.
- To stay relevant, NAESB's retail efforts should not solely benefit states where retail deregulation has happened. For example, the forth coming Wal-Mart request is not tied to any regulatory regime, but based solely on business transaction efficiencies. NAESB's support of green market standards and the development of a model retail energy contract (R05013) are other examples. Champions like Comm. Jim Kerr (NC) support NAESB for this reason.
- Alternatively, to stay relevant, NAESB's retail efforts should continue to support customer choice markets since many, including Maryland and New York, are revisiting their rules and should be encouraged to standardize across state lines.
- Consensus was that NAESB cannot endorse one regulatory frame work over another, and must continue to support both.
- Merger Option. If REQ and RGQ merged, NAESB would lose 7 memberships from companies holding memberships in both quadrants. This represents a loss of \$35,000 in annual revenue. The merged quadrant would have 53 members.
- Experience has shown that the differences between the two commodities are less than previously believed. However, members that do not have combination gas and electric operations still prefer the two quadrant approach.
- Not all segments of a merged quadrant would require both gas and electric subsegments. Having two distributor segments may be adequate to ensure their diverse interests are represented.
- Consensus was that merger would not solve the issues of relevance and diminishing membership.
- Amending Bylaws Option. Another option would be amending the Bylaws to reduce the number of members in each quadrant and segments.
- At the time NAESB was formed, the intent of 40 members per quadrant and 5 members per segment thresholds was that each quadrant within NAESB and each of its segments were viable and representative of the marketplace. The numbers themselves are certainly open to change.
- It was noted that a survey of retail members may be useful to gauge whether such a change would encourage or discourage future participation. There was no decision at this time to conduct a survey.
- Membership Drive. The Committee agreed to redirect its initial focus towards working with the Resources Committee to increase retail membership. If this effort fails, then it will return to considering structural changes.



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- No Change Option. The Board is required to address the issue of low retail membership, but is not required to take action. In the past, the decision was to continue to monitor development of the retail markets.
- The RSRC's timeline permits members to focus on increasing membership first before making any recommendations for structural changes to the Board on Dec. 13, 2005.
- In the end, RSRC could still conclude that merger does not make sense (see above discussion).
- The following dates and times were set aside for future RSRC calls:
 - June 27 at 1:00pm CST
 - July 19 at 1:00pm CST
 - August 12 at 9:00am CST
 - September 7 at 1:00pm CST

Selection of Next
Call Dates:

Action Items:

Action Items:

- The issue of Retail Quadrant membership levels will be discussed at the June 22 Board Meeting and Strategic Session. The Board's input will be considered during the next conference call on June 27.
- A survey of retail members may be developed seeking their input on direction of future standardization efforts, position towards a potential merger, and recommendations of peers to become members.
- RSRC members are encouraged to participate in the Resources Committee conference calls. The next one is June 2.
- The issue of Retail Quadrant membership levels will be discussed at the August 24 joint RGQ/REQ EC meeting. The EC's input will be considered during the RSRC conference call on Sept. 7.

Attendance:

	Name:		Organization:	Quadrant(s):
1	William Bourbonnais		WPS Resources	REQ, RGQ, WEQ, WGQ
2	James Cargas		NAESB	
3	Leonard Haynes		Southern Company	REQ, WEQ, WGQ
4	Ruth Kiselewich		Baltimore Gas & Electric	REQ, RGQ, WGQ
5	David Koogler		Dominion	REQ, RGQ, WEQ, WGQ
6	Mark Maassel		NiSource	RGQ, WGQ
7	Marcy McCain		Duke Energy Gas Transmission	RGQ, WEQ, WGQ
8	Rae McQuade		NAESB	
9	Keith Sappenfield		EnCana Corporation	WGQ