



NORTH AMERICAN ENERGY STANDARDS BOARD

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January 25, 2008

Via US Mail and email

The Honorable Thomas E. Wright, Chairman, The Honorable Michael C. Moffet, Commissioner, and The Honorable Joseph F. Harkins, Commissioner
Kansas Corporation Commission
1500 SW Arrowhead Road
Topeka, KS 66604-4027

Re: FERC Order No. 698: NAESB Intraday Nomination Timeline Proposals

Dear Commissioners,

NAESB very much appreciates your letter regarding our efforts to develop intraday nomination timeline standards for the wholesale gas market. The NAESB subcommittee tasked with response to Order No. 698 is actively pursuing such development in three areas – price indexing for capacity released, redirects of firm capacity to alternate delivery points, and intraday nomination schedule modifications. These three areas are under consideration, each with the goal of adding flexibility and value to meet more effectively the changing conditions in the wholesale energy market.

As the subcommittee considers proposals for all three areas, discusses, debates, drafts proposed standards and ultimately votes on proposals, no single segment can block such votes. Nor may any single segment stop debate or prevent discussion on proposals. Once the subcommittee drafts recommended actions, which include proposed standards, the recommendations are vetted through industry comment and then voted for approval at our Executive Committee (EC) level. At the EC level, a single segment can indeed block an effort going forward – as each proposed standard requires both 40% approval from the seated members of each EC segment, and a super-majority of 67% of all seated EC members.

Single-segment blocks perform an important, but hopefully rarely used function in NAESB. They are intended as a fail-safe measure if a segment truly believes that its entire market segment would be unfairly disadvantaged or put at risk should a standard be adopted. In those cases, when a segment votes with less than 40% approval, the action is considered blocked. When a single segment blocks the approval of proposed standards, those blocks are first reported to the Board of Directors, who may suggest additional actions and reconsideration. After the Board action is exhausted, if the single-segment blocks remain, they are reported to the Federal Energy Regulatory Commission (FERC) along with all relevant documentation including comments and voting records. The FERC can then take any action it deems appropriate.

Because of the serious nature of single-segment blocks, our Board of Directors carefully monitors all upcoming EC votes that have the potential of resulting in a single-segment block. They encourage the segments to join in possible consensus building activities before taking votes that would result in such blocks, and have asked the Executive Committee in specific cases to review and reconsider their actions to see if single-segment blocks can be avoided. The NAESB Board of Directors is keeping a close watch on Order No. 698 development not only because of its possible impact to the market, but also because of the controversial nature that could result in single-segment blocks. At our board meeting in December, resulting from discussions on Order No. 698, we determined to set up a board committee to review single-segment blocks and how they are being used in NAESB.

We agree with you completely that no action should be permitted that stifles debate and disallows standards proposals the full industry vetting they deserve. Without such openness and transparency, we would not have the



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Page 2 of 2

more than 600 NAESB standards developed for the wholesale gas market. Clearly, this is one of the cornerstones upon which NAESB was built.

Thank you very much for your participation in our standards development activities and your comments. Your letter will be included in the subcommittee's discussion of the issues and has been forwarded to our Managing Committee and Board of Directors.

With Best Regards,

Rae McQuade

Rae McQuade, President, NAESB

Michael Desselle, Chairman, NAESB

cc: The Honorable Joseph T. Kelliher, Chair, Federal Energy Regulatory Commission
The Honorable Jon Wellinghoff, Commissioner, Federal Energy Regulatory Commission
The Honorable Suedeen G. Kelly, Commissioner, Federal Energy Regulatory Commission
The Honorable Marc L. Spitzer, Commissioner, Federal Energy Regulatory Commission
The Honorable Philip D. Moeller, Commissioner, Federal Energy Regulatory Commission

The NAESB Board of Directors
William P. Boswell, NAESB General Counsel