

## **North American Energy Standards Board A Brief Description**

The North American Energy Standards Board came into being at the beginning of this year. Why should you be interested in it as an organization, and how can it benefit you?

First off, NAESB, as it is known for short, is not the Gas Industry Standards Board, ("GISB"). While GISB was NAESB's precursor and has provided many processes for standards development and group decision-making, NAESB provides much more. In addition to supporting all four sectors of the gas and electric industries – wholesale and retail gas and electric market interests, NAESB recognizes the ongoing convergence of the gas and electric businesses, and implicitly ensures that its standards will receive the input of all industry sectors when appropriate. In doing so, the convergence seen in the marketplace is mirrored in the standards and business practices as appropriate. Companies operating in multiple markets would realize reduced costs as they no longer need support divergent practices.

The industry participants following NAESB standards, much like GISB's participants, will realize reduced transaction costs as standardization of transactions, particularly electronic transactions, is endorsed and implemented -- but NAESB participants will realize it on a much larger scale. Not only will the transaction costs be reduced because of the standardization across market interests where possible, but within a given market interest, the scale of standardized transactions in NAESB terms is larger and will result in greater savings and efficiency.

NAESB standards will also result in a strong marketplace for services and off-the-shelf software – giving market participants choices, where before the choice was to provide in-house the service or product and train the needed personnel, or hire consulting firms to provide services or products customized for one client. This choice was clearly demonstrated in GISB and the wholesale gas market, and should translate into an even stronger services group for both the gas and electric industries as NAESB standards are endorsed and implemented.

NAESB will build public-private partnerships with the FERC, the Department of Energy and the state commissions. The standards, which may be requested by the government agencies as well as any interested party, will be built by the industry participants through NAESB and its processes – then forwarded to the regulatory agencies for further review and action. Like GISB, NAESB will not advocate, but simply provide regulators with status reports – keeping both the politics and policy out of NAESB and providing a critical separation of responsibilities. Those who build the standards are not those who may monitor or enforce their use.

The overall direction of NAESB is focused through its board and officers. Crucial guidance is provided from industry leaders through their interaction with the NAESB Board and from the government agencies through their requests for standards to be developed, but the industry itself develops the standards it will implement. In short, the companies that will be using the standards build them. This valuable partnership allows for an effective and healthy mechanism for information sharing between the industry and its government agencies, one which will improve the energy marketplace and benefit all those who participate in NAESB.