

Strawman 2.1
In Consideration of An Energy Industry Standards Board
Adopted by the GISB Board of Directors on September 19, 2001

Framework

In several meetings, it was discussed that the purpose of this new organization would be to propose and adopt voluntary standards and model business practices designed to promote more competitive, efficient and reliable energy service. Such standards and model business practices would apply to electronic exchange of information, record and data formats, communications protocols and related business practices that streamline the transactional and coordination processes of the wholesale electricity, wholesale natural gas, retail electricity and retail natural gas marketplaces.

It is intended that this new organization would include the work currently conducted under the auspices of, and for the purpose of inheriting the maintenance and improvement of existing natural gas wholesale market standards, be a successor to the existing organization, GISB. It is further intended that this new Organization would complement the activities of NERC by developing wholesale electricity business practice standards consistent with the standards developed by NERC for reliability¹. The activities of the new Organization would not extend to the development of standards for physical safety, physical reliability, facilities construction, equipment manufacture or the operation of natural gas or electrical equipment, such as those established and maintained by the AGA or NERC. It is also intended that this new Organization would conduct standards or practices development activities with respect to the electronic exchange of information, record and data formats, communications protocols and related business practices that streamline the transactional and coordination processes of the electricity and natural gas marketplaces. In these last two regards, it is anticipated that the work product of the Uniform Business Practices Group and the business related standards developed by NERC will be inherited for consideration² and that adoption, maintenance, and improvement of those practices and conventions would be conducted by the new Organization to the extent not judged inconsistent with the new Organization's scope.

This document provides possible scope, principles and structure for such an organization. The principles are based on commonly accepted precepts of a standards and model practices organization to work for both the Electric and Gas Industries. The document outline of the structure should not be misconstrued as the only way to organize a new standards and model practices organization, but only an attempt to get interested parties thinking and is based on GISB's experience.

¹ Protocols will be established whereby determination can be made for the applicability of the standards or practices development activity to either wholesale electric reliability or to wholesale electric market based efforts. This may be addressed through a memorandum of understanding or through defined communications procedures.

² When the Gas Industry Standards Board was created in 1994, it undertook the consideration, adoption and maintenance of standards resulting from work products of prior organizations such as Gas*Flow and the five FERC Electronic Bulletin Board Work Groups. It also undertook the consideration, adoption and maintenance of standards resulting from work products from the COPAS/INGAA/AGA effort.

Scope

The scope of the new Organization would be to develop, maintain and publish voluntary standards and model business practices designed to promote more competitive, efficient and reliable energy service. Such standards and model business practices would apply to electronic exchange of information, record and data formats, communications protocols and related business practices that streamline the transactional and coordination processes of the wholesale electricity, wholesale natural gas, retail electricity and retail natural gas marketplaces.

Principles

Independence – The organization should be an independent body. While it may have informal liaisons to trade associations, other standards organizations and government agencies, it should be a separately incorporated, fully independent, organization.

Openness -- The organization should conduct its activities in the open. Openness should apply to all aspects of its organizational governance, elections and standards or practices development processes, including work products and related meetings. The meetings, agendas and items set for discussion and/or possible vote should be publicly noticed, and interested parties, regardless of membership should be invited to participate.

Voluntary -- Participation in the organization should be voluntary and adherence to its standards and model practices should, from the organization's perspective, also be voluntary. Membership should not be dependent upon whether the company seeking membership implements the standards and model business practices. The organization will not maintain any type of enforcement activity.

Balance of Interests – The voting with respect to governance and standards or practices development procedures should provide for balance between and within industry segments and quadrants participating in the organization so as to avoid any one interest group or group of interests having the ability to exert undue influence over any decision.

Inclusivity – All industry stakeholders should be identified and associated with a segment and quadrant. All interested parties are invited to participate in the activities of the organization and to join the organization.

Consensus Based Decisions -- The voting rules should be constructed so that decisions based upon consensus are encouraged. In addition, with respect to voting upon the standards or model business practices issued or to be issued by the organization, energy quadrants and their segments should be assured that each energy quadrant and its segments can protect its interests by requiring both super-majorities and a minimum per segment, and a per quadrant threshold be achieved for passage of such standards and model business practices by the organization.

No Advocacy – The organization should be prohibited from taking advocacy positions on its standards or model business practices as a party to any proceeding before a governmental agency. This is not intended to preclude the organization's duly authorized representatives from educating or communicating with any group as to the organization's procedures and/or work product(s).

Membership Driven – The organization should be membership driven. The paid staff should perform administrative functions to support the organization's activities. Requests for standard(s) or model business practices should be proposed by identified persons and not by the organization or its committees and subcommittees. The organization's staff should neither have a vote nor a role with respect to conducting the affairs of the organization other than to provide ministerial functions.

Develop Practices, Not Policy – The Committees, Subcommittees and Task Forces of the organization should endeavor to not create policy in their standards or practices development activities absent being requested to do so by the applicable body (Executive Committee or Board of Directors). To the extent reasonable, the standards and model business practices to be established should reflect standardization and streamlining of activities chosen from among existing policies and practices.

(Possible) Organizational Structure

Overall, there are two governing bodies: the Board of Directors and the Executive Committee. Each of the groups is made up of quadrant representation and within each quadrant, segment representation. Below is a description of quadrants and the flexibility given to quadrants to determine their own segments while still preserving balanced voting.

Quadrants -- A quadrant is an energy market interest. There are four such quadrants represented within the new Organization: Electric Wholesale, Electric Retail, Gas Wholesale and Gas Retail.

Energy Quadrant	Description
Wholesale Gas Quadrant	The Wholesale Gas Quadrant is concerned with and generally tasked to handle natural gas related issues and practices which are within scope and typically addressed on either an interstate basis or are generally subject to the pre-emptive jurisdiction of the federal government. GISB’s original work can be thought of as being work conducted within this quadrant.
Wholesale Electric Quadrant	The Wholesale Electric Quadrant is concerned with and generally tasked to handle electric related issues and practices which are within scope and typically addressed on either an interstate basis or are generally subject to the pre-emptive jurisdiction of the federal government or are bulk sales of power.
Retail Gas Quadrant	The Retail Gas Quadrant is concerned with and generally tasked to handle natural gas related issues and practices which are within scope and typically addressed at the individual consumer and energy distribution level.
Retail Electric Quadrant	The Retail Electric Quadrant is concerned with and generally tasked to handle electric related issues and practices which are within scope and typically addressed at the individual consumer and energy distribution level.

Segments – Each quadrant shall determine its own segments, and when determining its segments, shall have met requirements set by the Board, which apply to all quadrants equally. Each quadrant must adhere to balanced voting across its segments and all industry participants with a business interest in a given quadrant should be able to join that quadrant in one of its defined segments.

For the wholesale gas quadrant, the segments listed below were provided by GISB:

Segments	Description
Producers	Those companies primarily engaged in the production of natural gas for sale to others.

Segments	Description
Pipelines	Those companies primarily engaged in the transmission of natural gas.
Distributors	Those companies primarily engaged in the local distribution of natural gas.
End-users	Those companies that consume natural gas.
Services	Providers of services to participants in the wholesale natural gas industry, which would include marketers, software providers, consultants and other companies not otherwise considered to be a producer, pipeline, distributor or end user.

For the wholesale electric quadrant, the segments may be defined as:

Segments	Description

For the retail gas quadrant, the segments listed below were provided by A.G.A.:

Segments	Description
Suppliers	Companies, other than distributors, engaged in the sale of natural gas and/or pipeline capacity, including marketers (retail, wholesale, aggregators), producers, asset managers and pipelines.
Distributors	Companies engaged in the regulated local distribution of natural gas, including organizations primarily representing the retail interests of small municipal utilities (e.g. APGA).
End Users	Companies and individuals that consume natural gas, including consumer advocacy organizations and retail customer groups.
Service Providers	Companies and individuals that provide services to the participants in the retail natural gas industry, including equipment manufacturers, equipment and service vendors, software providers, energy consultants and other companies not otherwise declared in any other segment.

For the retail electric quadrant, the segments listed below were provided by the governance group of the UBP -RSB organization:

Segments	Description
Distributors	Those companies engaged in the local distribution of electricity.
Suppliers	Those companies engaged in the competitive sale of electricity to end-users, including energy service providers and marketers.
End-users	Companies and individuals that consume electricity.

Segments	Description
Service Providers	Companies and individuals that provide services to participants in the retail electric industry, which include equipment manufacturers, equipment vendors, software providers, consultants and other companies not otherwise declared in any other segment.

Membership -- The definition of membership applies to all quadrants and segments. Members are companies, organizations or individuals participating in the natural gas and/or electricity markets. Trade associations are permitted to join the organization as members where they represent an interest that is included in a segment, and that interest is not represented by any members³. Otherwise, trade associations, advocacy groups and special interest groups are not considered members but are encouraged to participate in the organization. A member may be represented by an agent, which is defined as an individual or company representing the interests of member of the organization, but who, itself, is not a member of the organization.

When joining, each member declares the quadrant and segment with which they are to be identified. For eligibility, a member should have a significant business interest in the quadrant and segment for which the company is declared. Moreover, the representatives of the member company who participate in the activities of the organization should have corporate responsibility for the business interest of the quadrant and segment.

Corporate organizations, which have multiple companies⁷ under common control, that desire to become members, must join individually. Members do not extend their membership to the parent company, affiliates or subsidiaries. Multiple memberships are allowed subject to the following limitations:

1. A corporate organization can hold membership in multiple quadrants by paying multiple dues.
2. Separate corporate entities within a corporate family can hold memberships in multiple segments within a given quadrant by paying multiple dues. A corporate family may hold multiple Executive Committee seats within a quadrant from separate segments. However, a quadrant should have the authority to set limitations on the number of corporate entities holding elected positions in that quadrant.
3. Irrespective of the number of memberships held by a corporation, no corporation may hold more than one Board seat per quadrant.
4. At a subcommittee or task force level, the same individual may represent different segments so long as that individual represents only one segment within a given quadrant. However, an individual may not hold more than one Executive Committee or Board seat per quadrant.

Members vote to ratify governance changes approved by the Board of Directors without regard to their quadrant or segment identification. In addition, members of a given quadrant(s) vote to ratify standards actions approved by the Executive Committee for that quadrant(s). Only members can be considered for seats on the Board of Directors or Executive Committee, and are eligible to chair the various subcommittees of the organization.

³ The trade association membership in the organization extends only if there are no other members of the organization that can represent the interests of the trade association's membership. Because the trade association member is not acting as an agent for a given member of the organization, it cannot hold seats on either the Board of Directors or the Executive Committee.

Board of Directors – The Board would be comprised of the members elected from the quadrants and each of its segments. For a given quadrant, each segment within that quadrant will be represented by an equal number of Board members, to be determined by that quadrant. The Board of Directors would be responsible for funding, annual plan definition and approval, changes to the governance document and structure, and overall direction of the organization. The Board of Directors always meets and acts “en banc.” There are no quadrant specific actions of the Board that would require the quadrants of the Board to meet and act independently of the others.

Agents for member companies are permitted to be Board members. Members who are trade associations are not permitted to be Board members. Board members must represent an individual company with a direct commercial or business interest in the industry decisions reached by the Board. Board members are individuals who are elected to the Board from among the membership of each quadrant and segment according to Board approved Quadrant and Segment Procedures. A member is not permitted to substitute other individuals for the elected, named, member of the Board. Board member terms are two years in duration.

For governance or structural changes to be effected, the Board must vote with 75% approval of each of the quadrants and a 40% approval of each of the segments within each quadrant. The approved governance changes would then require a ratification vote of all members. To be ratified, a 90% approval is required, with those members who choose not to return a ballot considered as voting in favor of the Board’s action. All other decisions of the Board are determined by a simple majority of a balanced vote of each of the quadrants, which by definition, is balanced across the quadrants⁴. Board decisions other than those which effect governance or structural changes do not require member ratification.

As an example, in the wholesale gas quadrant, the Board of Directors is represented by the five previously described segments, and each segment is represented by five Board members. For a governance change to pass the wholesale gas quadrant Board representatives, 19 positive votes are required along with at least two positive votes from each of its segments.

Board Meetings: Board Meetings shall be in person at locations determined by the Board Officers. In addition, Board Members may participate and vote by means of tele-conference or other electronic means. Eligibility to continue serving as a Board member is dependent upon in-person attendance at no less than 50% of scheduled Board Meetings. Such attendance threshold shall be reviewed at March 31 and September 30 of each year for the preceding twelve months. Failure to meet the 50% threshold for reasons other than hospitalization or disability will result in forfeiture of the Board seat and an election to fill the seat by the next Board Meeting.

Executive Committee – The Executive Committee would be comprised of the members elected from the quadrants and each of its segments. For a given quadrant, each segment will be represented by an equal number of Executive Committee members, to be determined by that quadrant. Each segment will in turn determine their representatives. The Executive Committee is responsible for carrying out the Annual Plan. The Annual Plan approved by the Board describes the areas and general priorities for standards or practices development. The Executive Committee may meet and act “en banc,” or each of its quadrants may act separately depending on the actions requested of it. The consideration of standards and model business practices which apply to specific quadrant(s) would be acted on by the Executive Committee members who belong to only those specific quadrant(s).

Executive Committee members are individuals who are elected to the Executive Committee from among the membership of each quadrant and segment according to Board approved Quadrant and Segment Procedures. A member is not permitted to substitute other individuals

⁴ For a motion to pass by a simple majority of each quadrant, each quadrant separately must have a majority vote in the affirmative. Should one or more quadrants fail to achieve a majority vote, the motion would fail.

for the elected, named, member of the Executive Committee, unless that individual is a named alternate, elected according to Board approved Quadrant and Segment Procedures. Agents for member companies are permitted to be Executive Committee members. Members who are trade associations are not permitted to be Executive Committee members. Executive Committee members must represent a individual company with a direct commercial or business interest in the industry decisions reached by the Executive Committee. Executive Committee member terms are three years in duration.

The Executive Committee is the determining body for standards and model business practices issues. - The consideration of standards and model business practices which apply to specific quadrant(s) would be acted on by the Executive Committee members who belong to only those specific quadrant(s). For standards and model practices to be adopted, the applicable quadrants of the Executive Committee must vote with 67% approval of each of those quadrants and a 40% approval of each of the segments within those quadrants. (The approved standards and model business practices would then require a ratification vote of all members of the applicable quadrants. To be ratified, a 67% approval for each of the applicable quadrant(s) is required for those members returning ballots. All other decisions of the Executive Committee are determined by a simple majority of each of the applicable quadrants⁴, which by definition, is balanced across the applicable quadrants. Executive Committee decisions other than those which create or modify standards or model business practices do not require member ratification.

As an example for the wholesale gas quadrant, the Executive Committee is represented by the five previously described segments, and each segment is represented by five Executive Committee members. For a standard or model business practice to be adopted by the wholesale gas quadrant Executive Committee members, 17 positive votes are required along with at least two positive votes from each of its segments.

Executive Committee Meetings: Executive Committee Meetings shall be in person at time and location determined by the Chair and Vice-Chair of the Executive Committee. In addition, Executive Committee Members may participate and vote by means of tele-conference or other electronic means. Eligibility to continue to serve as an Executive Committee Member is dependent upon in-person attendance at no less than 50% of scheduled Executive Committee Meetings. Such attendance threshold shall be reviewed at March 31 and September 30 of each year for the preceding twelve months. Failure to meet the 50% threshold for reasons other than hospitalization or disability will result in forfeiture of the Executive Committee seat and an election to fill the seat by the next Executive Committee Meeting.

Quadrant and Segment Procedures: There shall be for each segment within each quadrant, procedures, which are drafted by each segment and quadrant and approved by the Board of Directors. The procedures are approved through a simple majority vote from each quadrant⁴ of the Board of Directors, which by definition is balanced across quadrants. The procedures should be declined only if they are inconsistent with the principles upon which the organization was founded or with terms of the certificate of incorporation or bylaws. The procedures would include nomination procedures governing the nomination process for elections to fill seats on the Board and Executive Committee. Such procedures should set forth the nomination and election procedures to be administered by the organization's administrative office.

Standards or Practices Development Process: Any party, regardless of membership, can request that a standard or model business practice be developed or an existing standard or model business practice be modified or deleted.

When the request is received by the organization's office, it would forward the request to the Triage Subcommittee, a group reporting to the Executive Committee. The Triage Subcommittee is composed of one representative from each segment within each quadrant of the Executive Committee. The Triage Subcommittee, would first assess whether the request meets the organization's scope, and then it would prepare a recommendation including to which quadrant(s) the request is to be forwarded. The Triage Subcommittee will recommend the

requested standard be assigned to multiple quadrants, where one standard could be reasonably and appropriately applied to multiple quadrants.” The Triage Subcommittee will also recommend to which subcommittees the request should be forwarded for development, and which relative priority should be assigned. While there will be instances where discrete standards and model business practices will be necessary for each energy industry quadrant, such requests will be processed with consideration toward consistent application across quadrants. The Triage Subcommittee recommendation is determined through a simple majority vote of each quadrant⁴, which by definition is balanced across quadrants. The recommendation regarding the request is forwarded to the Executive Committee for approval and assignment.

The Executive Committee would approve or modify and approve the triage recommendation, through a simple majority vote of each quadrant⁴, which by definition, is balanced across quadrants. The request is then forwarded to the applicable standards and practices development subcommittees for consideration. After consideration, the applicable standards and practices development subcommittees prepare recommended standards and model practices language related to the request. The language is forwarded for industry comment, and is brought to the applicable quadrants of the Executive Committee for adoption.

After the applicable quadrants adopt the standard or model business practice, the Executive Committee may determine that the standard or practice applies to quadrants different than those originally intended. If such determination is made, a notice of a reconsideration action would be given within a thirty day period, beginning on the date the draft Executive Committee meeting minutes are posted. The reconsideration action would be placed as an agenda item for the next Executive Committee meeting. Otherwise, the process continues with the member ratification process and ultimate publication. Only those members of a quadrant to which a standard or model business practice adopted by the Executive Committee is applicable are eligible to vote for ratification of those standards and model business practices.

If a reconsideration action takes place, the Executive Committee would require a simple majority vote of each quadrant⁴ that did not vote on the recommended standard or model business practice⁷, to have the recommended standard or model practice language considered by quadrant(s) other than those originally intended. If the reconsideration action fails, the recommended standard or model practice language is considered by the originally assigned quadrants. If the reconsideration motion passes, the recommended standard or model practice language is forwarded to the additional quadrants for their consideration and the vote to adopt the recommended standard or model practice language takes place at the next meeting of the Executive Committee, which would be followed by the ratification process and publication process. The approved standards and model business practices would require a ratification vote of all members of the applicable quadrants. For a standard or model business practice to be ratified, a 67% approval is required for those members of the applicable quadrants returning ballots.

Balanced Voting: Standards or practices development subcommittees are standing subcommittees, and vote by majority, with balanced votes tallied by each applicable quadrant and within each applicable quadrant, each of its segments. Each segment should be provided two votes to be apportioned on a no more than “one vote per company in attendance at the meeting” basis. The balanced votes would then be balanced across quadrants similarly. When there are more than two companies within a quadrant and segment in attendance, the two votes per segment would be apportioned equally among the attendees within that segment. Quadrant and segment identification is intended to be for information purposes and not for the purpose of counting or determining a majority at the business practice subcommittee working level. Abstentions are not counted in the apportionment of votes.

Funding:

1. Dues remain at \$5000 per membership.
2. Sponsorship Dollars are solicited with no guarantee that they will be credited against future dues.

The revenues required for the operation of the organization are based primarily from membership dues assessed equally to all members. As the revenues for operation originate from the organization's members, the organization is membership driven.