North American Energy Standards Board

NAESB Overview of Wholesale and Retail Electric Activities

To

NARUC Electricity Subcommittee

February 12, 2006
2005 Key Accomplishments:

- Wholesale Electric
  - January 18, 2005: RM05-5-000, WEQ standards including version 0 complementary business practices to NERC reliability standards, standard of conduct, and OASIS business practices completed and forwarded to the FERC. The FERC issued a NOPR on May 9, with comments due by July 1, 2005. No final order has been issued yet.
  - June 27, 2005: RM05-28-000, Gas-electric interdependency report and business practice standards for pipeline-power plant communications. The FERC has not issued a NOPR at this time.
  - July 1, 2005: NAESB Comments on RM05-5-000 - changes requested by the FERC in the NOPR.
2005 Key Accomplishments:

- Wholesale Electric (continued)
  - July 15, 2005: NAESB Report on the ANOPR RM00-10-000 against NAESB OASIS Activities and Planned Activities.
  - November 29, 2005: The WEQ EC adopted the Inadvertent Interchange Payback Report, which will be presented to the FERC in 1st Q 2006.
  - December 9, 2005: Comments of NAESB on the second technical conference of the formation of the ERO, Docket No. RM05-30-000.
  - December 13, 2005: Redesign of the NAESB Certification Program was prepared and approved by the Board of Directors. It went into effect in January 2006.
2005 Key Accomplishments:

- Wholesale Electric (continued)
  - December 13, 2005: D-U-N-S® Analysis Report and Recommended Actions prepared and approved by the Board of Directors. The WEQ will pursue alternatives to the D&B solutions beginning in January.
  - December 19, 2005: The WEQ EC adopted the TLR split of standards for version 0. The ratification will be postponed until first quarter 2006 to permit the WEQ Board members to ensure that adequate coordination for TLR exists between NERC and NAESB.
  - December 22, 2005: NAESB comments on RM05-30-000 - formation of the Electric Reliability Organization.
2005 Key Accomplishments:

- Wholesale Electric (continued)
  - Planned, First Quarter 2006: Final Report of the GEIC presented to the Board of Directors for approval to be sent to the FERC
  - Planned, First Quarter 2006: Separation on TLR standards into version 0 business practices and reliability standards and associated FERC filings.
2005 Key Accomplishments:

- Wholesale Gas
  - May 9, 2005: FERC issued a final order in RM96-12-026, adopting version 1.7 of the NAESB WGQ standards including the gas quality standards, for implementation in September 2005.
  - June 27, 2005: RM05-28-000, Gas-electric interdependency report and business practice standards for pipeline-power plant communications. The FERC has not issued a NOPR at this time.
  - December 13, 2005: Redesign of the NAESB Certification Program was prepared and approved by the Board of Directors. It went into effect in January 2006.
2005 Key Accomplishments:

- Wholesale Gas (continued)
  - December 13, 2005: D-U-N-S® Analysis Report and Recommended Actions prepared and approved by the Board of Directors. The WEQ will pursue alternatives to the D&B solutions.
  - Planned, First Quarter 2006: Final Report of the GEIC presented to the Board of Directors for approval to be sent to the FERC
2005 Key Accomplishments:

- **Retail Gas & Electric**
  - September 27, 2005: Retail standards published, posted on the NAESB web site, and announcements of availability were sent to NAESB members, NAESB Advisory Council, NARUC, industry trade associations, and government agencies.
  - December 13, 2005: Redesign of the NAESB Certification Program was prepared and approved by the Board of Directors. It went into effect in January 2006.
  - December 13, 2005: D-U-N-S® Analysis Report and Recommended Actions prepared and approved by the Board of Directors. The retail quadrants will not pursue alternatives to the D&B solutions at this time.
2005 Key Accomplishments:

- Retail Gas & Electric (continued)
  - December 13, 2005: Retail Structure Review Report and Recommended Actions prepared and approved by the Board of Directors. No actions were taken to alter the structure at this time.
2006 Plans:

- Wholesale Electric:
  - Continue to develop business practices to complement reliability standards
  - Develop joint operators training manual with NERC
  - Identify e-Tag enhancements, Registry enhancements and IDC enhancements with NERC
  - Complete PKI standards for security
  - Modify and complete business practices standards for Standards of Conduct and Affiliate Reporting
  - Enhance OASIS business practices to support market needs
2006 Plans:

- Wholesale Gas:
  - Complete part B of the gas quality request - reporting of assumptions and methodologies used in determining gas quality specs.
  - Continue to maintain more than 600 business practices and electronic communication standards including more than 50 electronic business transactions.
  - Modify the base contract for natural gas to support today’s market needs and to address LNG
  - Prepare for version 1.8 publication in 2006
2006 Plans:

- Retail Gas and Electric:
  - Develop business practices and electronic communications for:
    - Billing and Payments
    - Electronic Invoicing
    - Pre-enrollment Customer Information
    - Customer Enrollment, Switching and Dropping
  - Develop a base contract for purchase and sales of power and natural gas in retail markets
Energy Day Efforts

The umbrella is: Support Gas-Electric Interdependency

- Generation facility/ gas pipeline communications (Phase 1 complete)
- Board activities to identify other needed standards efforts (Phase 2 complete)
- Energy Day (no action planned)
- Gas Scheduling and Market Timelines (no action planned)
- Electric Scheduling and Market Timelines (no action planned)
Brief Background on Energy Day Efforts:

- Began with Gas-Electric Coordination efforts that yielded to reports provided to the FERC:
  - Gas Electric Coordination Interim Status Report, filed 4-16-04
  - Gas Electric Coordination Final Report, filed 11-30-04

- Outcome of Reports: Received 3 requests for standards development
  - R04016: Energy Day
  - R04020: Market Timelines
  - R04021: Pipeline-Generator Communications
Brief Background on Energy Day Efforts:

- **Request Status**
  - All requests approved and found within the scope of NAESB by both NAESB and the Joint Interface Committee.
  - R04016 and R04021 were jointly assigned to wholesale gas and wholesale electric groups, R04020 was assigned to wholesale electric group only.
  - R04016 and R04020 will be withdrawn later this month after the FERC submittal of the final report of the Gas Electric Interdependency Committee.
  - R04021 is completed and was the subject of the FERC filing last summer (RM05-28-000).
Review of

June 27, 2005 Filing - RM05-28-000

Standards for the Coordination of Business Practices Between Public Utilities and Interstate Natural Gas Pipelines
Business practices were developed to address communications between parties in three situations:

- For generation facilities that have gas scheduled
- This generation facilities that do not have gas scheduled but need it
- For gas that is needed in situations of extreme unanticipated demand
Gas- Electric Interdependency Issues

- The second part of the report highlighted Gas- Electric Interdependency Issues and provided a basis for those issues and other considerations that should be reviewed if they are to be addressed.

- The issues were categorized as to the type of issue raised - policy, business practices, reliability, regional or infrastructure related.

- No specific recommendations on the issues were provided.
North American Energy Standards Board

Gas- Electric Interdependency Issues - Categories

- Issue Categories:
  - Policy directions from regulatory agencies, contractual issues
  - Standards development by NERC
  - Standards development by NAESB
  - Regional issues
  - Infrastructure Concerns
13 Issues Identified fall into the following groupings:

- Communications issues between pipelines and generators
- Risk assumptions in using interruptible transportation
- Differences in timelines between markets
- Need for regional or national solutions
- Cost recovery and reserve capacity
- Valuing and using short term capacity
- Differences in curtailment policies in emergencies
North American Energy Standards Board

Review of Upcoming
February 2006 Filing – RM05-28-000

Standards for the Coordination of Business Practices Between Public Utilities and Interstate Natural Gas Pipelines
The Board Committee has completed the final report, and the Board is in the process of approving it. The date for Board ballots to be returned is February 17.

After board approval, the report will be submitted to the FERC under Docket No. RM05-28-000 and will be sent to NARUC and interested parties.
Gas- Electric Interdependency Progress To Date

The areas represented in the final report are:

- Enhance the standards to support Capacity Release pricing on an index for those pipelines that have the FERC authority to price capacity on an index basis.

- Review the possibility of adding an additional intraday nomination cycle with bumping rights to provide more flexibility to power generators with firm transportation rights such that they can nominate for natural gas supporting their market clearing times.

- Review the ability of pipelines to shift gas for primary firm transportation within a pipeline path without having to re-offer as secondary firm transportation service.
Gas- Electric Interdependency Progress To Date

- Review and modify the requirements of the timelines so that organized electric markets clear in sufficient time to nominate within the gas nomination timelines.

- Require generators that declare availability for the day ahead market to have the appropriate commercial arrangements to fulfill the needed obligations.

- Develop the appropriate supporting definitions for new business practices for the Wholesale Electric Quadrant, including but not limited to definitions for: alternate fuel capability, usable alternate fuel capability, firm transportation service, firm sales service, firm supply, and “must run” generator.
Committee Members:

Vicky Bailey  Johnston & Associates
Adrian Chapman  Washington Gas Light
Valerie Crockett  Tennessee Valley Authority
Mark Crosswhite  Southern Company
Michael Desselle  American Electric Power
Peter Flynn  National Grid USA
Pete Frost  ConocoPhillips Gas & Power Marketing
Robert Gee  Gee Strategies
Joseph Hartsoe  American Electric Power Service Corp
Leonard Haynes  Southern Company Services
Sheila Hollis  Duane Morris
Reed Horting  PECO Energy
Richard Kruse  Duke Energy Gas Transmission
North American Energy Standards Board

Committee Members:

Mark Maassel  Northern Indiana Public Service Company
Lyn Maddox   Oxadel Consulting, LLC
Randy Mills  ChevronTexaco
Ron Mucci     Williams Power
Marty Patterson  Cinergy CBU
John Procario  Cinergy
Rick Smead    Navigant Consulting
Larry Smith   El Paso Eastern Pipelines
Dennis Sobieski  PSEG Power
Joe Stepenovitch
Jim Templeton  Comprehensive Energy Services
Ken Wiley     Florida Reliability Coordinating Council
Jeanne Zaiontz  BP Energy
North American Energy Standards Board

How to Participate

- Join the distribution lists on the NAESB Web Site: www.naesb.org
- All meetings are open and accessible via telephone
- All materials are posted on the NAESB web site
- Your comments are welcome and will be posted on any NAESB standards issues
- If you are not a member, but are interested in membership, please call the NAESB Office: 713-356-0060
North American Energy Standards Board

Contact Information

- Web Site: www.naesb.org
  - Quadrant Procedures, Bylaws, Certificate for NAESB
  - Calendar of Meetings, Agendas, Work Papers, Comments
  - Board minutes, EC Minutes, How to order Transcripts
  - Standards and Related Work Products
  - Membership Information

- Contact Information
  - Phone: 713-356-0060
  - Fax: 713-356-0067
  - Email: naesb@naesb.org

  For further information on the organization, please contact Veronica Thomason (713-356-0060, naesb@naesb.org)
North American Energy Standards Board

Background Information for Reference

- Organizational Profile
- Process Followed for Standards Development
- Highlights of standards development activities applicable to the wholesale gas and electric markets and the retail markets
Organizational Profile

Organization by Quadrant and Segment

Wholesale Gas - 5 Segments
1. End Users
2. Local Distribution
3. Pipelines
4. Producers
5. Services

Wholesale Electric - 5 Segments
1. End Users
2. Distribution/LSE
3. Transmission
4. Generation
5. Marketers/Brokers

Retail Gas - 4 Segments
1. End Users
2. Distributors
3. Service Providers
4. Suppliers

Retail Electric - 4 Segments
1. End Users
2. Distributors
3. Service Providers
4. Suppliers

NAESB
North American Energy Standards Board
Organizational Profile

Quadrant Statistics | WEQ | WGQ | REQ | RGQ | Total
--- | --- | --- | --- | --- | ---
Membership YE 2004 | 133 | 119 | 32 | 32 | 316
Net Change | +13 | +4 | -5 | -1 | +11
Membership YE 2005 | 146 | 123 | 27 | 31 | 327
Organizational Profile

Two Governing Bodies with identical structures -

Board of Directors - strategic direction, financial well being, annual planning for standards development, coordination of activities with other groups

Executive Committee - Carries out the annual plan, develops and maintains the standards and business practices through its subcommittees and task forces
North American Energy Standards Board
Organizational Profile

NAESB - Board of Directors

- Electric Wholesale Quadrant
- Gas Wholesale Quadrant
- Electric Retail Quadrant
- Gas Retail Quadrant

The Board meets “en banc” to consider and act on all items brought before it. For the Board, each quadrant is composed of segments determined by that quadrant. For a given quadrant, each segment’s representatives on the Board will have an equal number of members. Each quadrant has an equal voice in voting and each segments’ interests are balanced within that quadrant.

Executive Committee (EC)

- Electric Wholesale Quadrant
- Gas Wholesale Quadrant
- Electric Retail Quadrant
- Gas Retail Quadrant

The Executive Committee meets and acts with specific quadrants acting on applicable standards. For the Executive Committee as with the Board, each quadrant is composed of segments determined by that quadrant. For a given quadrant, each segment’s representatives on the EC will have an equal number of members. Each quadrant has an equal voice in voting and each segments’ interests are balanced within that quadrant.

Triage Committee — Standards Development Subcommittees
North American Energy Standards Board
Organizational Profile

Board of Directors
- Financial Authority
- Strategic Plans
- Direction of the Organization & Setting the Annual Plans

Executive Committee
- Standards Development
- Tactical Implementation of the Annual Plan

Strategy & Issue Definition
Organizational Structure & Support
Membership
Legal & Operational Procedures
Liaisons
Business Practices
Coding & Data
Technical Mapping
Interpretations
Communication Protocols
Communication Protocols
What is an Annual Plan?

- It is a roadmap of standards development activities for each quadrant to undertake.
- The four plans (one for each quadrant) include high level topics for standards development and reflect requests from the industry participants, and state and federal agencies.
- Quarterly progress is reported to the Board from the EC chair. This update is detailed in the Board minutes.
- Each month, the annual plans and status of activities are reviewed by state commission staff and other government agency representatives in the monthly At A Glance calls.
NAESB Develops Voluntary Standards

- From the organization’s perspective, all standards are voluntary and may be provided to regulatory agencies as status reports as they are published.
- Regulatory agencies may choose to adopt standards or model business practices, but NAESB will not advocate such action.
- The organization will not monitor for compliance, provide performance measures for compliance, nor will it define sanctions for non-compliance.
- The organization will not advocate before any regulatory body.
Standards Development Process

- The process begins with a request - which can come from a member, an interested industry participant, a government agency or commission, an ISO or RTO, or a NAESB subcommittee, or with an annual plan item approved by the Board of Directors. Requests would either be consistent with the annual plan or require Board approval to amend the plan.

- The process followed is ANSI accredited -- ANSI accredits organizations as Standards Development Organizations ("SDO") based on their adherence to ANSI’s cardinal principles of standards-setting.

- The process is open and any interested party can participate and contribute to the standards development regardless of membership in NAESB.

- NAESB members fund the development process through dues.
How do the members create the standards?

- We average 30-35 meetings or calls per month
- We average more than 450 participants by phone per month
- We offer web casting to assist in the conference calls
- All participants, regardless of NAESB membership status, are welcomed to the meetings and subcommittee efforts
North American Energy Standards Board

Process Followed for Standards Development

- Request For Standard/ Annual Plan Item
  - Triage Subcommittee
    - Executive Committee
      - Standards Development Subcommittees
        - Recommendation
          - Industry Comment
            - Balanced Vote
              - Executive Committee
                - Membership Ratification
                  - Published Standards

*If the request is determined to be developed by the wholesale electric quadrant, it must first be reviewed by the Joint Interface Committee before development proceeds.*
North American Energy Standards Board

Process Followed for Standards Development

- Request For Standard, SAR, Annual Plans
- Joint Interface Committee
- Policy Questions Addressed?
- Standards Development

If the request is determined to be developed by the wholesale electric quadrant, it must first be reviewed by the Joint Interface Committee before development proceeds.

Equal Decision Making Authority of NERC, NAESB and the ISO-RTO Council

Submitted by NERC, NAESB or the ISO-RTO Council

Request forwarded to policy makers for further consideration before proceeding

Primarily Reliability
- NERC

Primarily Business Practices
- NAESB

- No

If the request is determined to be developed by the wholesale electric quadrant, it must first be reviewed by the Joint Interface Committee before development proceeds.

Equal Decision Making Authority of NERC, NAESB and the ISO-RTO Council

 Submitted by NERC, NAESB or the ISO-RTO Council

Request forwarded to policy makers for further consideration before proceeding

Primarily Reliability
- NERC

Primarily Business Practices
- NAESB

- No
Wholesale Electric Efforts -- Version 0

✓ Represents the business practice components of the NERC operating policies.

✓ Components include Coordinate Interchange, ACE Equation Special Cases, Manual Time Error Correction, Inadvertent Interchange Payback, and Transmission Load Relief (TLR)

✓ Version 1 work is also underway.
Wholesale Electric Efforts -- OASIS

OASIS and Standards and Communication Protocols:

- Represents FERC Order Nos. 889, 605 and 638.
- Enhancements to the existing orders include requirements for multiple identical transmission service requests, requirements for redirects on a firm basis, and requirements for redirects on a non-firm basis.
- Work is continuing to improve OASIS
- The direction of the work is not to create a new OASIS, but add enhancements on an incremental basis.
Other FERC Orders related to Wholesale Electric Efforts:

- Business Practices were developed to support the Large Generator Interconnection Order.
- Business Practices were developed to support the Standards of Conduct (affiliate) order.
- Work is underway to expand the business practices for the Standards of Conduct (affiliate) order.
North American Energy Standards Board

Highlights of standards development activities

Wholesale Gas Efforts -- Gas Quality

✓ Business Practices were developed to support reporting gas quality properties as specified in the pipeline tariffs and as measured at representative points.

✓ Request R03035 has two other points that have not been addressed yet at the direction of the Board:

1. reporting of the assumptions used in making the gas quality measurements, and

2. investigation to determine if standards are needed for the gas quality specifications.

✓ The Board at its June 2005 meeting directed the organization to consider the second part of the request, either this year or in planning for 2006.
North American Energy Standards Board

Highlights of standards development activities

Wholesale Gas Efforts -- Standards of Conduct

- Business Practices were developed to support reporting requirements for standards of conduct in the Informational Posting section of pipeline web sites.

- The informational postings are listed in the non-discrimination requirements category.
Wholesale Gas Efforts -- Maintenance

- A key activity of the WGQ is the maintenance of ~600 business practices, more than 50 business transactions, more than 50 interpretations to better reflect today’s marketplace.

- Continued work on a backlog of requests to modify the existing base of standards -- 35 requests addressed over the past 12 months.

- The maintenance can take the form of additions or changes to codes and data elements, to the addition or change of existing business practices, to the inclusion of business practices to reflect new functionality.
Retail Activities

Commodity Neutral Model Business Practices

✓ The two quadrants have worked collaboratively to develop commodity neutral model business practices

✓ Model business practices have been developed to address:

1. Creditworthiness
2. Billing and Payments
3. Market Participant Interactions
4. Distribution Company - Supplier Disputes
5. Trading Partner Agreements
Retail Technical Standards and Publication

✓ Technical standards development for the Internet Electronic Transport Mechanism is nearing completion as is the Quadrant Electronic Delivery Mechanisms document.

✓ Technical mappings of the business transactions - defining the data elements and code values is underway.

✓ The publication of the model business practices was announced September 27, 2005
North American Energy Standards Board

Highlights of standards development activities

How To Monitor Activities

✓ Monthly Update Calls:
   http://www.naesb.org/monthly_update.asp

✓ Review updated annual plans quarterly:
   http://www.naesb.org/materials/gov.asp

✓ Review Board minutes quarterly:
   http://www.naesb.org/weg/weq_bod.asp

✓ Sign up for email distribution notices on subcommittees of interest:
   http://www.naesb.org/listserv/mail/mail_register.cfm

✓ Call NAESB office (713-356-0060, naesb@naesb.org)