

North American Energy Standards Board

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NAESB Standards Development

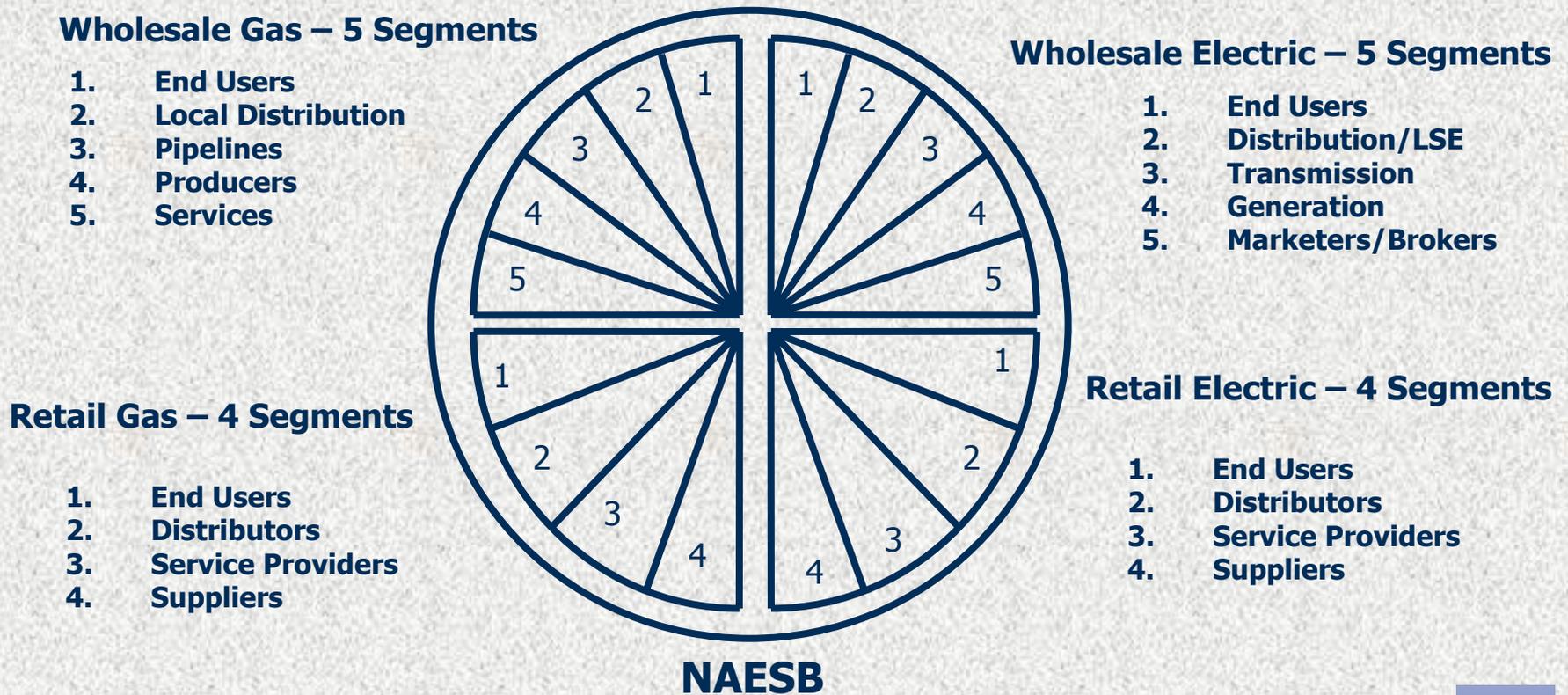
October 2002

North American Energy Standards Board Process For Standards Development

- ❖ **To understand the standards we have developed, you need a working knowledge of:**
 - ❖ **the organization itself and**
 - ❖ **the development processes.**

North American Energy Standards Board Quadrant Organization - Structure

Board of Directors and Executive Committee



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Wholesale Gas Quadrant Segments

The Wholesale Gas Quadrant is organized into 5 Segments:

- ❖ **Producers, Pipelines, Services, Distribution, End Users**
- ❖ **Each Segment has 5 representatives on the Board and Executive Committee**
- ❖ **There are currently 130 corporate members of the Wholesale Gas Quadrant**

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Retail Gas Quadrant Segments

The Retail Gas Quadrant will have 4 segments:

- ❖ **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.

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Retail Electric Quadrant Segments

The Retail Electric Quadrant has 4 segments:

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

Each segment has four seats on the Board of Directors and the Executive Committee. The quadrant has 50 members.

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Wholesale Electric Quadrant Segments

The Wholesale Electric Quadrant has 5 segments:

- ❖ **Transmission:** Any entity engaged in the activity of owning, operating or controlling bulk electric transmission facilities in North America.
- ❖ **Generation:** Any entity engaged in the activity of owning and/or operating wholesale electric generation facilities in North America.
- ❖ **Distributors/LSEs:** Any entity engaged in the activity of electric power sales and/or delivery to end use customers in North America, or any entity designated to represent a distribution utility.
- ❖ **End Users:** Any entity in North America that is an end use consumer of electricity, engages in electricity regulation, or represents customer interests, or any entity designated to represent an end user.
- ❖ **Marketers/Brokers:** Any entity engaged in the activity of buying and selling wholesale electric power in North America on a physical or financial basis.

North American Energy Standards Board Structure

NAESB - Board of Directors

95 Members

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)

95 Members

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

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Governance and Autonomy of Quadrants

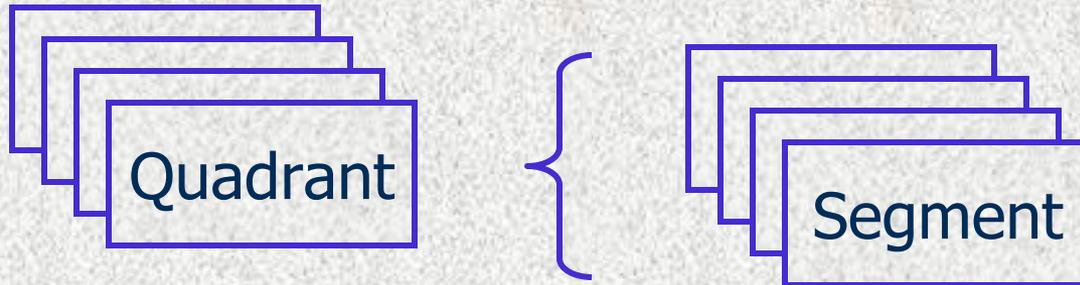
Whole Organization

- ❖ Follows founding principles
- ❖ Follows Voting Requirements
- ❖ Process for Developing Standards

Quadrant Specific Governance

- ❖ Determines Segment Makeup
- ❖ Sets own pace for standards development
- ❖ Determines which standards apply to them

North American Energy Standards Board Governance and Autonomy of Quadrants



Each Quadrant cannot by itself:

- ❖ Create Quadrant processes inconsistent with NAESB principles or bylaws
- ❖ Approve standards requiring multi-Quadrant approval

North American Energy Standards Board Standards Development and the Annual Plan

❖ Annual Plan

- ❖ **Members and Interested Industry Participants determine scope and priority of standards work by quadrant**
- ❖ **Quadrant Annual Plans are prepared and submitted to the Board for approval**
- ❖ **Only standards development pursuant to the AP or requests is undertaken**

North American Energy Standards Board Standards Development and the Annual Plan

❖ Annual Plan

- ❖ **The WGQ and REQ annual plans are attached for review**
- ❖ **They include high level topics for standards development and reflect requests from state and federal agencies**
- ❖ **Quarterly progress is reported to the Board from the EC chair.**

North American Energy Standards Board Standards Development Tenets

- ❖ **Standards development based on an Annual Plan**
- ❖ **Balanced voting structure at EC and subcommittees**
- ❖ **Multiple opportunities for involvement and comment**
- ❖ **Defined process for standards development with several tiers of voting to ensure broad based support**

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Voting Rules

Voting Rules

- ❖ **Business subcommittees utilize a "balanced" segment voting process to forward recommendations on standards development**
- ❖ **Subcommittee Voters are not required to be NAESB members**
- ❖ **Executive Committee approval requires a "super-majority"**
- ❖ **Membership ultimately ratifies all standards development**

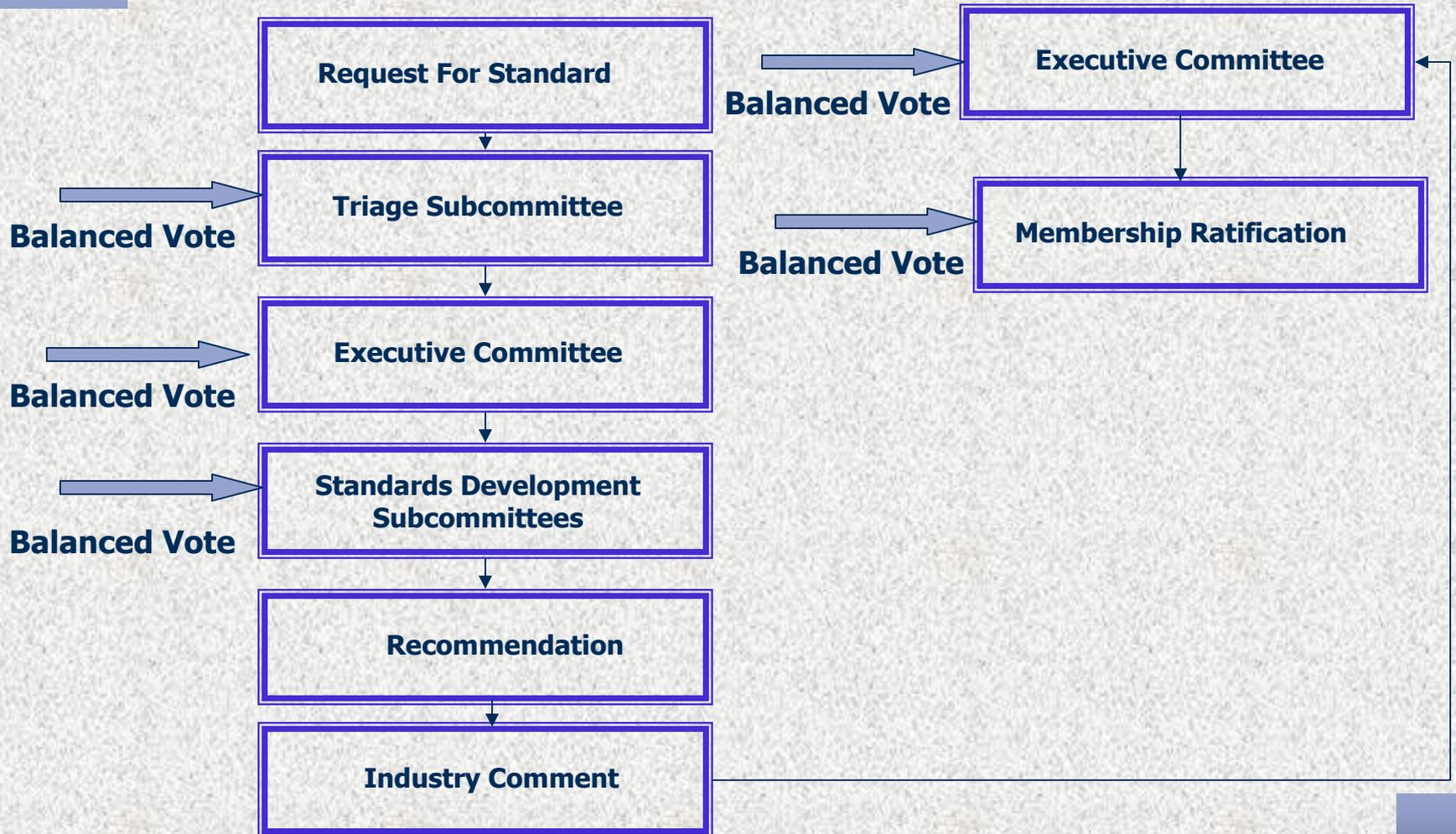
North American Energy Standards Board Voting Rules

Board of Directors -- (governance)	75% of each quadrant 40% of each segment
Executive Committee -- (standards)	67% of each quadrant 40% of each segment
Subcommittees -- (proposed standards)	50% Balanced Across Segments of each quadrant balanced voting in the segments**

**** Each segment has up to two votes apportioned equally over those segment attendees present; one company – one vote**

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A "Day in the Life" of a Standard



North American Energy Standards Board Standards Examples – Business Practices

Business Practice Standards (500 plus for Wholesale Gas):

- ❖ Common gas day: 9:00 a.m. to 9:00 a.m. central clock time
- ❖ Base contract for short term sales and purchases of natural gas
- ❖ Nominations deadlines

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Standards Examples – Information Standards

Information Standards (organization of information into data elements and code values to be used for EDI, flat file transmissions and interactive web sites (50 business transactions defined for wholesale gas quadrant):

- ❖ Nominations, Confirmations, and Scheduled Quantities
- ❖ Allocations, Shipper Imbalances and Measurement Statements
- ❖ Invoice, Statement of Account, Payment Remittance
- ❖ Capacity Release Offers, Bids and Awards
- ❖ An example of an information data table is included for review.

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Standards Examples – Technology Standards

Technology Standards (100 plus for wholesale gas):

- ❖ EDI implementations to transfer standardized information from one trading partner's computer to another trading partner's computer.
- ❖ Protocols to use the Internet both for transferring standard files of information and for interactive web sites that display and process standard information.
- ❖ Security standards for encryption of standardized information.

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Joint Development, Reconsideration

❖ **The structure provides flexibility for quadrants to jointly develop standards in two ways:**

- ❖ When the EC determines from the request that it is in their best interest to do so, they jointly develop the standards
- ❖ When EC Quadrants other than those to which the request was assigned determine from the subcommittee's recommended standards that such standards could apply to them, they reconsider the recommended standards to determine if changes are needed for their quadrant's needs.

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Voluntary Nature of Standards

❖ 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.
- ❖ 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.

North American Energy Standards Board Upcoming Meetings

- ❖ **Executive Committee Meetings Scheduled for October 17-18 (Phoenix), and December 12-13 (New York)**
- ❖ **Board Meetings Scheduled for September 23 (Hunt Valley, MD) and November 21 (San Diego).**
- ❖ **Calendar to be set shortly for meetings in 2003.**

Energy Industry Standards Board Model

How to Find Out More 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**

- ❖ **Contact Information**

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