



NORTH AMERICAN ENERGY STANDARDS BOARD

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January 18, 2005
Filed Electronically

The Honorable Magalie Salas
Secretary
Federal Energy Regulatory Commission
888 First Street N.E.
Washington, D.C. 20585

RE: Report for NAESB Wholesale Electric Business Practices, Docket No. RM05-5-000

Dear Ms. Salas:

The North American Energy Standards Board ("NAESB") herewith submits this report to the Federal Energy Regulatory Commission ("FERC" or "Commission") regarding NAESB's activities undertaken by the NAESB Wholesale Electric Quadrant ("WEQ") Executive Committee ("EC"). The report reflects the activities of the WEQ EC since its inception on January 2002 to December 2004. Its meetings and related subcommittee and task force meetings were open to any interested party and announcements and agendas were posted along with all work papers, presentations and minutes on the NAESB web site – fully open to any interested party regardless of membership.

Although NAESB and its predecessor, the Gas Industry Standards Board, have a long history of filing reports with the Commission that discuss standards adopted that address wholesale gas business issues, this is NAESB's first filing with the Commission that discusses standards that have been adopted to address business issues that affect the wholesale electric industry. This submittal reflects the development of these business practices standards and communication protocols by the NAESB WEQ subcommittees to which they were assigned by the NAESB WEQ EC, the adoption of the subcommittee efforts by the NAESB WEQ EC, and the ratification of the NAESB WEQ EC actions by the NAESB WEQ general membership.

Described in this report are business practices that address Open Access Same-Time Information Systems ("OASIS")^{1,2} and OASIS Standards & Communications Protocol ("S&CP") and Data Dictionary. Also described are business practices that directly relate to the North American Electric Reliability Council's ("NERC") Version 0 reliability standards for coordinate interchange, area control error ("ACE") equation special cases³, manual time error correction,

¹ The OASIS Business Practices, Standards and Communications Protocols and Data Dictionary were adopted by the NAESB WEQ Executive Committee on February 24, 2004. The OASIS Business Practices, Standards and Communications Protocols were subsequently amended by the NAESB WEQ EC on November 16, 2004.

² The OASIS standards also address the Standardization of Generator Interconnection Agreements and Procedures, Order No. 2003, RM02-1-000, 104 FERC ¶61,103 (July 24, 2003) ("Large Generation Interconnection Order" or "FERC Order No. 2003").

³ The ACE Special Cases Standard as presented in this filing represents business practices associated with implementing Dynamic Schedules and Psuedo-Ties under the specific commercial and contractual arrangements outlined in NERC Policy 1. Additional business practices may be developed in future versions of this standard that



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and inadvertent interchange payback.⁴ Also included are business practices for standards of conduct.⁵ The standards of conduct business practices reflect FERC Order Nos. 2004, 2004-A and 2004-B. Priority efforts are now underway by NAESB to make any necessary modifications to the standards of conduct business practices to ensure that they adequately address FERC Order No. 2004-C.

However, there are three areas of WEQ business practices that were adopted but not described in this report. (1) The Funds Transfer Agency Agreement that can be used by Women and Minority Owned Business Enterprises (“WMBEs”) was ratified by the NAESB WEQ membership but is not described, as it is a contract addendum that applies primarily to non-jurisdictional entities. The other two sets of business practices are related to the NERC reliability standards – Transmission Load Relief (“TLR”) and enhancements to Coordinate Interchange Business Practices (“CIBP”). (2) The business practices for TLR are duplicates of the NERC reliability standards as both NERC and NAESB agreed that there was insufficient time to adequately review and separate the business practices from the reliability standards and complete the effort in 2004 for “Version 0”. As such, the TLR is duplicated for both NERC and NAESB, and efforts are underway now to separate the business practices from the reliability standards, with an expected completion by year-end 2005. (3) For the CIBP, NAESB had adopted and ratified business practice standards prior to the “Version 0” effort by NERC and NAESB to separate all NERC operating policies into NERC reliability standards and NAESB business practices. As the “Version 0” effort proceeded, it was determined that the adopted NAESB CIBP standards required further review before publication to assure they were consistent with the “Version 0” efforts and NERC Functional Model designations. NAESB standard request no. R05001 addresses this topic. Efforts are underway to develop a NAESB Version 1 CIBP that would supersede the original adoption by NAESB on June 21, 2004.

While developing the “Version 0” standards, the intent of NERC and NAESB was to translate NERC’s existing policies “as is.” Priority efforts are now underway by NAESB to review the adopted “Version 0” NAESB business practices for enhancements to reflect current operations

would more completely define the commercial requirements associated with implementing dynamic transfers. The actual application of the ACE equation and all associated rules governing system control are established in appropriate NERC Reliability Standards and is not within the scope of this standard.

⁴ The Coordinate Interchange, ACE Equation Special Cases, Manual Time Error Correction, and Inadvertent Interchange Payback standards were adopted by the NAESB WEQ EC on November 30, 2004. The standards are the result of a coordinated effort between NAESB and NERC to identify the commercial aspects of the current NERC Operating Policies.

⁵ Standards of Conduct for Transmission Providers, Order No. 2004, 68 FR 69134 (Dec. 11, 2003), III FERC Stats. & Regs. Regulations Preambles ¶ 31,155 (Nov. 25, 2003); Order No. 2004-A, 69 FR 23562 (Apr. 29, 2004), III FERC Stats. & Regs. Regulations Preambles ¶ 31,161 (Apr. 16, 2004); Order No. 2004-B, 69 FR 48371 (Aug. 10, 2004) III FERC Stats. & Regs. Regulations and Preambles ¶ 31,166 (Aug. 2, 2004) (“Standards of Conduct” or “FERC Order No. 2004”).



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not reflected in NERC's original policies. Many of these enhancements were identified during the development and comment periods but not acted upon, as the enhancements would have altered the original intent of the policies.

Please note that we are filing this report electronically in Adobe Acrobat® Print Document Format (.pdf), and each enclosure is bookmarked separately. All of the documents are also available on the NAESB web site (www.naesb.org). Please feel free to call me at (713) 356-0060 or refer to the NAESB website should you have any questions or need additional information regarding this interim status report.

Respectfully submitted,

Ms. Rae McQuade
Executive Director & COO, North American Energy Standards Board

cc without enclosure:

Chairman Patrick H. Wood III, Federal Energy Regulatory Commission
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Quadrant