



# North American Energy Standards Board

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**TO:** NAESB Wholesale Electric Quadrant Members, Interested Parties  
**FROM:** Rae McQuade, Executive Director and Steve Corneli, Wholesale Electric Quadrant Executive Committee Chair  
**RE:** WEQ 2004 Annual Plan Development  
**DATE:** September 11, 2003

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Dear WEQ Members and Interested Parties:

Attached please find the draft 2004 Annual Plan supported by the NAESB Executive Committee at its meeting on September 11, 2003.

To provide context for the 2004 plan, background is given below on its development including:

- Goals and objectives of the development of the 2004 Annual Plan
- Needs, Opportunities and Challenges in the Development of the Plan
- Process to be Followed in the Development of the Plan
- Timeline for the Plan Development
- Draft 2004 plan as of September 11, 2003

## **I. Goals and Objectives of Preparing the 2004 Annual Plan**

1. Identify and gain EC and board approval for standard setting activities that are
  - a. Highest priorities for the wholesale electric industry
  - b. Appropriate for NAESB standard setting activities alone or in coordination with NERC and IRC
  - c. Achievable

The Plan items should be general enough so that specific standards requests that may develop from various opportunities identified below can be accommodated without need to revise the annual plan, but specific enough so that effective coordination with NERC and the ISO-RTO Council (IRC) can be carried out.

## **II. Needs, Opportunities and Challenges**

1. *Needs.* The annual plan
  - a. Must be coordinated with Joint Interface Committee (NERC-NAESB- ISO/RTO Council) and any other informal coordination approach adopted by the 3 MOU parties.
  - b. Should avoid issues that will not have significant standard setting participation and support by broad industry.
  - c. Should not rely on expectations of future FERC action or any other regulatory or government agency requests. This would, of course, not preclude standards work that do have FERC or regulatory endorsement/directive.
2. *Opportunities*
  - a. Anticipated conversion of NERC Policies to standards creates significant need for development of complementary business practices.
  - b. Additional, *ad-hoc* business standards needs related to NERC reliability standards<sup>1</sup>

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<sup>1</sup> Recent items noted at the NERC Market Committee and Operations Committee meetings held in Albuquerque on July 15-17 included: Operations Business Practices related to firm load serviced by non-firm transmission, PKI Initiative, Business Practices related to NERC Policy 3, Frequency Excursions - ramping standards, and Manual Market Re-dispatch.



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- c. Seams issues being addressed by IRC and its members means
  - NAESB's identification of major business practice concerns related to seams should have value to IRC and market participants;
  - The NAESB process should be useful in developing voluntary business practice standards that can be used by IRC members in their seams reduction efforts.
- d. Anticipated incorporation of ESC and OSC resources and tasks creates potential to address standards needed for
  - OASIS I (bilateral world transaction information sharing);
  - OASIS II (common market interface); and related inter-market and market/non-market transaction protocols in an effective, technically competent manner.
- e. Uncompleted items from the 2003 annual plan can either be rolled over, refined, or rejected for 2004.
- f. Standards requested by ISOs not directly related to seams, such as
  - Creditworthiness – financial assessment provisions

### 3. Challenges

- a. Uncertain future for FERC directives such as SMD that might lead to standardization.
- b. The IRC's members embrace a diversity of market design, functionality, and scope. These range from fully formed markets to markets that are not yet formed or operational. Because the IRC is a consensus-based organization, it is unlikely to be a strong client for extensive or detailed standardization.
- c. Without a strong "client" or "customer" for standards, NAESB has to rely on conflicting member visions and priorities regarding standardization.
- d. Many of NAESB's WEQ members are experiencing a prolonged period of low margins, reduced trading activity, budgetary and personnel constraints, and modifications of their business models, and may be unable to actively pursue standards development activities even if the needed standards are relatively high priorities for member companies.

### Process/Timeline

1. Straw annual plan and supporting document(s) presented to EC August 5 EC Meeting  
***This step has already been accomplished. The WEQ EC voted to support the process and documents presented for submittal for WEQ membership comment and industry comment.***
2. Distribute Draft WEQ Plan and Memo to all WEQ members, trade associations, government agencies and other interested parties for input. **Those proposing items should indicate whether they are willing to commit to participate in the development of the standards they propose. Suggested deletions or modifications should be clearly explained and supported.** August 8
3. Comments to be returned on draft annual plan August 29
4. WEQ EC meeting scheduled in conjunction with WEQ Subcommittee meetings scheduled in Montreal, week of September 9. WEQ EC should finalize preliminary annual plan at this meeting. September 11



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## Process/Timeline

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|---|--------------------------|
| 5. JIC non-plenary session to consider Annual Plan coordination, and preliminary NAESB WEQ Annual Plan                      | September 18             |
| 6. JIC meeting where WEQ Annual plan will be presented for consideration and coordination with the NERC and ISO/RTO Council | October JIC Meeting      |
| 7. EC approves annual plan and forwards to Board of Directors for final approval  | October 7                |
| 8. Board considers annual plan for final approval.  | December 4 Board Meeting |

## Annual Plan Characteristics:

1. Develop complementary business practice standards to support the NERC policies to reliability standards.
2. Develop business practice standards needed to complement or assist specific seams mitigation efforts initiated by the IRC, several RTOs or ISOs, or other regional entities.
3. Develop business practice and data exchange standards to complement or assist in the creation or enhancement of market coordination efforts, which may include backward-compatibility with existing bilateral market data exchange needs and transaction tracking systems (e.g., OASIS).
4. Roll over other existing annual plan items on which work is proceeding
  - Inadvertent Interchange Payback
5. Develop business practices as requested by NERC (not related to existing NERC policies) and/or the IRC (not related to seams) or other entities.
6. Note that all efforts will be made to give deference to NERC and the IRC requests to ensure that NAESB is responsive to the requests to develop complementary business practice standards.



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## NORTH AMERICAN ENERGY STANDARDS BOARD Draft 2004 WEQ Annual Plan – September 11, 2003

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Item Description	Comment
<b>1 Develop business practices standards as needed to complement reliability standards.</b>	
<p>(a) Develop business practice standards to support and complement NERC reliability standards, NERC policies and NERC standards authorization requests (SARs). Current NAESB activities underway to develop business practice standards that are supportive of this annual plan item are:</p> <ul style="list-style-type: none"><li>• Develop Inadvertent Interchange Payback Business Practices (Market Operations Subcommittee)</li><li>• R03013 – Coordinate Interchange (Standards Review Subcommittee)</li><li>• R03014 – Coordinate Operations (Standards Review Subcommittee)</li><li>• R03017 -- Operate Within Limits (Standards Review Subcommittee)</li><li>• Balance Resources and Demand</li><li>• Facility Ratings</li></ul>	<p>The original 1(a) from the 2003 plan is implied and 1(b) and 1(c) have been rewritten as a part of this plan: 1(a) Apply NERC/NAESB MOU provisions in reviewing proposed reliability standards for their business practice implications, 1(b) Review existing NERC reliability policies and standards for their business practice implications, 1(c) Review each of the SARs in light of the NERC/NAESB MOU.</p>
<p>(b) Develop business practice standards applicable to the transition period from NERC policies to NERC reliability standards.</p>	<p>This is a new item that reflects the recent NERC decision to create Transition team. NAESB has been asked to join the Transition Team which is led by Gerry Cauley. NAESB members on the team are Charles Yeung, Rae McQuade and Michael Desselle.</p>
<b>2 Develop business practices standards for OASIS and Electronic Scheduling</b>	
<p>(a) Develop business practice standards as needed for OASIS and electronic scheduling including determining which, if any, ESC/OSC and other related industry groups' business practices and standards should be developed into NAESB</p>	<p>The Information Technology Subcommittee has been formed and is currently reviewing existing lists of enhancements for OASIS 1A and OASIS 2. A NAESB Electronic Scheduling Subcommittee was created</p>



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## NORTH AMERICAN ENERGY STANDARDS BOARD Draft 2004 WEQ Annual Plan – September 11, 2003

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Item Description	Comment
standards.	but is inactive awaiting input from the existing ESC industry group.
(b) Develop standard communication protocols and cybersecurity requirements as needed for OASIS and electronic scheduling including determining which, if any, ESC/OSC and other related industry standard communication protocols and cybersecurity requirements should be developed into NAESB standards.	The PKI request R03007 has been assigned to the NAESB WEQ to be addressed which is a portion of this annual plan item.  This item also corresponds to the 2003 WEQ Annual Plan item 4(h) Review activities of NERC CIPAG in light of NERC-NAESB MOU regarding cyber security requirements for their business practice and system communication standards implications.

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### 3 Develop business practices standards to Improve the Current Operation of the Wholesale Electric Market

Develop business practice standards needed to complement or assist specific seams mitigation efforts initiated by or coordinated with the NERC, the IRC, RTOs or ISOs, or other regional entities.

A seams catalog is under development now and will identify many of the items to be included under this action item.

This item was originally numbered item 4 in the 2003 WEQ Annual Plan. Several items were deleted, and will be added back to the plan if they are requested through the comments or meetings on the plan and the requesters indicate a willingness to participate in the standards development effort or in the drafting effort. The items removed from the 2003 plan are: 4(a) Establish a standardized electric trading day; 4(b). Identify and develop business practices on the public dissemination of market information.

Other items from the 2003 WEQ Annual Plan were reordered and renamed such as: 4(d) Develop business standards as necessary to resolve seams issues between ISOs and RTOs; 4(c) Establish standard business practices relating to: i) Definition and treatment of firm/nonfirm power; ii) Definition and treatment of firm/nonfirm transmission; iii) Provision of reserves for transactions across multiple control areas, 4(e) Develop standards for data requirements, data exchange and scheduling of day-ahead and real-time bilateral markets; and 4(h) Review activities of NERC CIPAG in light of NERC-NAESB MOU regarding cyber security requirements for their business practice



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## NORTH AMERICAN ENERGY STANDARDS BOARD Draft 2004 WEQ Annual Plan – September 11, 2003

Item Description	Comment
<b>4 Investigate the need for electric or gas standards required to provide additional flexibility in generation scheduling (including gas nominations) through a specially assigned task force.</b>	and system communication standards implications.  Some items on the 2003 WEQ Annual Plan were considered assumed in each of the action items, so they were not specifically highlighted as a separate action item, such as : 4(f) Examine business practices and definitions currently in use to determine applicability on a North American basis and 4(g) Catalogue, assess and prioritize existing “standards” that have significant business practice implications.
	This is a new item, not in the 2003 plan. It was added at the August 5 Executive Committee meeting.

### PROVISIONAL ANNUAL PLAN ITEMS<sup>2</sup>

- |   |  |
|---|--|
| 1. Develop standards and model business practices in accordance with FERC orders and rules issued in the SMD docket (RM01-12-000), or pursuant to Order Nos. 888 or 2000, or otherwise directed by the FERC.    | These items (originally items 3 and 7 of the 2003 Annual Plan) were reclassified as provisional and will be acted upon as such FERC actions are taken. |
| 2. Respond to FERC inquiries pertaining to business practice standard development and keep FERC informed on the nature and effectiveness of coordination activities with other standards setting organizations. |  |
| 3. Develop business practice standards related to FERC's  | .  |

<sup>2</sup> Provisional Items are essentially place holders. They are not active annual plan items, but have some likelihood of being added to the plan should an entity request them.



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Item Description	Comment
forthcoming generation interconnection orders (large and small generators), in Docket Nos. RM02-01-000 and RM02-12-000.	
4. FERC Reporting of Electricity Prices	This is a new item, not in the 2003 plan. It was added at the August 5 Executive Committee meeting.
5. Develop business practice standards as requested by the regional and state advisory groups.	This is a new item, not in the 2003 plan. It was added at the August 5 Executive Committee meeting.
6. Develop electric purchase and sales contract.	There is industry interest, but resources may not be available.  On August 5, several of the WEQ EC members discussed possibly preparing a request that would add an item to the 2004 annual plan to develop a master service agreement. The request was prepared but subsequently withdrawn by the submitter due to an expected lack of resources.

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