STANDARDS DEVELOPMENT

Gas-Electric Harmonization: On September 20, 2012, the NAESB Board of Directors unanimously approved the “North American Energy Standards Board Gas-Electric Harmonization Committee Report.” The report identified the issues that affect the coordinated operations of the two industries. The report also identified three items that the board approved to be included on the NAESB Annual Plans as provisional items for 2013: (1) market timelines and coordination of scheduling for trading and nomination, (2) flexibility of scheduling, and (3) information sharing and communications protocols between the two markets.

The report was drafted over the course of seventeen meetings and conference calls held from January 27, 2012 to August 27, 2012. The Gas-Electric Harmonization Committee members were selected by the NAESB Chairman from the NAESB Board of Directors, Advisory Council, and drafters of the National Petroleum Council report, “Prudent Development- Realizing the Potential of North America’s Abundant Natural Gas and Oil Resources.” The Board Gas-Electric Harmonization Committee Report was voted out of the committee on August 27, 2012, and reflects observations that came from 25 reports and documents on gas-electric harmonization. The committee began its analyses by identifying three main issues as common themes in several of the documents and reports: (1) transparency and availability of interdependency data upon which to make decisions, (2) coordination of timelines and market functions, and (3) identification of commercial/operations issues that should be resolved for full gas-electric coordination and market interaction. Later, the development of a matrix and core issues were identified for each of the following issue areas: (1) scheduling, (2) capacity, (3) curtailment, and (4) information. Some overlap between these issues was noted. Thirty-five out of the thirty-six committee members returned a survey classifying the issues as related to possible standards development, related to policy issues or related to commercial practices issues. The committee members could choose to place an observation in one or more of the three categories or they could identify the observation as more of a comment. From these observations, three recommendations for standards development, four areas for policy considerations and four areas for commercial or regional practices considerations were identified.

Typically, standards development depends upon three success factors: clear understandable policy, strong executive support, and general acknowledgment of benefits by the industry. The NAESB Board of Directors will consider the development of the three areas for standards development against these three success factors to determine whether consensus is achievable. Once the Board of Directors determines that standards could be developed in the three areas noted for both wholesale natural gas and electric quadrants, the board will indicate that the items should be moved from the provisional section of the annual plans to the active development section of the annual plans.

For more information, please go to NAESB GEH Committee Report September 2012, NAESB Press Release.

Wholesale Gas Contracts: The WGQ Contracts Subcommittee has concluded the drafting of the Master Agreement for Purchase, Sale or Exchange of Liquid Hydrocarbons and the document is now out for industry comment, ending October 22, 2012. A unanimous vote to send out the recommendation for industry comment occurred during the WGQ Contracts September 12-13, 2012 meeting. The subcommittee will be presenting the Master Agreement to the WGQ EC for its consideration during its October meeting.

The Government Acquisition Provisions Addendum (GAPA) to the NAESB Base Contract for Sale and Purchase of Natural Gas was ratified by the NAESB membership on June 11, 2012. It is a model addendum to the NAESB Base Contract designed to comply with applicable law and obligations under contracts and/or leases with the federal government.

For more information, please go to WGQ Contracts Subcommittee Web Page, GAPA Final Action.
Parallel Flow Visualization - Transmission Loading Relief (PFV–TLR) Standards Development: A presentation of the WEQ Business Practices Subcommittee (BPS) white paper on PFV was presented at the August 21, 2012 WEQ Executive Committee meeting. This white paper identified key issues the subcommittee continues to develop: whether the method whereby firm service is granted within a given area would affect priorities and therefore curtailment responsibilities; whether a firm resource carries with it firm rights over an entire provider’s system; how transmission customers should be provided notice of their provider’s arrangements with its neighbors; how credit for redispatch should be addressed; and, to what extent NERC Modeling Data and Analysis (MOD) standards address the sale of transmission service. The subcommittee hopes to resolve these conceptual issues in future versions of the white paper and have draft standards completed by early 2013.

The WEQ Standards Review Subcommittee (SRS) met on September 11, 2012 and developed comments for the NERC 2013–2015 Reliability Standards Development Plan. The comments requested that NERC create a Parallel Flow Visualization (PFV) project that was limited in scope to moving the NERC INT-012 standard forward and to modify the NERC IRO-006-EAST standard requirements R3 and R4 so a request can be made to curtail intra-BA point-to-point tags and a reliability coordinator can instruct a balancing authority to curtail intra-BA point-to-point tags. These comments were forwarded to NERC on September 18, 2012 for inclusion in the NERC standards development planning process.

NERC and NAESB have been working closely together to create a more efficient and transparent approach for managing transmission congestion in the eastern interconnection. The task before the WEQ BPS involves both identifying firm and non-firm flows and assigning curtailment priorities to these flows. The process under development requires a balancing area to identify and submit the transmission service priority for all energy produced by generators located in its footprint, which is then modeled in the Interchange Distribution Calculator (IDC). As noted above, the subcommittee’s efforts have focused on identifying and addressing key conceptual issues prior to undertaking the task of writing draft standards that would be used to implement the methodology.

One key point of discussion at the BPS has been whether to incorporate a two-tiered firm curtailment (2-TFC) methodology into the process. The BPS has been working diligently to more fully develop the methodology. In essence, 2-TFC is intended to encourage the formation of coordination agreements between neighboring transmission areas. Under the proposed process, in a Transmission Loading Relief (TLR) Level 5 or higher context, all off-path firm transactions unaccounted for in a coordination agreement would be curtailed prior to any on-path firm transactions and/or off-path firm transactions addressed in a coordination agreement. The schedule for subcommittee meetings regarding standards development for PFV is set throughout 2012 and can be found on the NAESB web site.

For more information, please go to WEQ BPS Web Page, White Paper.

Wholesale Gas Common Codes: The WGQ Executive Committee (EC) unanimously voted to approve the common codes business practice standards in late October 2011. NAESB delayed submitting the standards for membership ratification until the WGQ Information Requirements/Technical Subcommittees (IR/Tech) had completed its work on the data dictionary and related technical work on the accessibility of inactive data points to accommodate the business practices. The work was completed and the recommendation for technical implementation was considered by the WGQ EC during its August EC meeting. The technical standards were adopted by the WGQ EC, and ratified on September 28, 2012 along with the complementary business practice standards. The standards were accompanied by an interpretation.

The standards propose either the use of common codes or the use of proprietary codes. In lieu of the common code, transportation service providers would provide a download that includes detailed location information. Thus, the common codes are not being eliminated, but rather made optional. As a consequence, once the standards are ratified and forwarded to the Commission for its consideration, if incorporated by reference, IHS would no longer maintain the common code registry.

To ensure that no functionality is lost in the transition from common code usage to proprietary code usage, the WGQ Business Practices Subcommittee (BPS) will submit a minor correction to the standards to extend the time requirement for maintaining the codes. Data needed for inactive points that may still be the subject of existing filings can be acquired from websites maintained by the transportation service providers who will ensure the historic use, accuracy, accessibility, and availability of the codes.

For more information, please go to WGQ BPS Web Page, WGQ Common Codes Final Action.

Dodd-Frank Act: The Dodd-Frank Wall Street and Consumer Protection Act (Dodd-Frank) was passed on July 21, 2010. The Commodity Futures Trading Commission (CFTC), CFTC staff and its Technical Advisory Committee are in the process of developing rules to implement Dodd-Frank provisions. The draft rules require the filing of real-time notification of all trades and the provision of certain information to the CFTC, including how financial obligations associated with entering into non-cleared swaps have been met (e.g., credit support, pledged assets, third-party guarantee, credit, cash flow from operations).

The timeline for Dodd-Frank compliance has begun and with the recent definitions of “Swap” and “Swap Dealers” finalized by the CFTC, industry participants have been left with many questions. On September 12, 2012, the Edison Electric Institute (EEI) met to analyze how the act would impact contracting parties in the electric industry. The NAESB WGQ Contracts Subcommittee will begin meeting in early October to review the Dodd-Frank implications to contracting parties utilizing NAESB gas contracts. Should you have an interest, please consider participating in the WGQ Contracts Subcommittee.

For more information, please go to Dodd-Frank Act (HR 4173), WGQ Contracts Subcommittee Web Page, End-User Guide to CFTC Implementation.
The PKI standards have been adopted by the WEQ EC and complementary standards for application in OASIS (WEQ-002), definitions (WEQ-000) and coordinate interchange (WEQ-004) are under development and expected to be completed before year end. These standards address the security structure for commercial transactions in the electronic industry, such as e-Tagging, the Electric Industry Registry, and electronic scheduling on OASIS, by identifying the assurance levels needed to send and receive specified commercial transactions. The standards are accompanied by the “NAESB Accreditation Requirements for Certification Authorities” document, which although not a business practice standard, identifies the requirements for NAESB Authorized Certification Authorities (ACAs). This document goes hand-in-hand with the WEQ-012 standards themselves – as they reference ACAs, and the procedure approved by the Board of Directors for certifying certification authorities. Once the standards are completed, the NAESB office will process the entities that have petitioned to become ACAs, but are currently considered in a pending status. The pending status is dependent on the incomplete status of revisions to the NAESB WEQ-012 and other related standards.

On July 18, 2012, NAESB received an inquiry letter from Senator Reid regarding NAESB’s activities on cyber security standards development. On July 19, 2012, NAESB provided the requested information and reached out to Senator Reid’s office to provide any information that he or his staff may need regarding his efforts. Similar offers were extended to Senator Murkowski, Senator Collins and Senator Lieberman’s offices. As such, meetings have been scheduled to provide updates in mid-October.

On July 20, 2012, FERC issued “FERC Order Requiring Reporting on North American Energy Standards Board Public Key Infrastructure Standards.” The Commission requested all certification authorities provide information on PKI and how they are implementing PKI. After receiving the information, the Commission provided a subsequent ruling, Docket NO. EL12-86-000, “Report on the Use of North American Energy Standards Board Public Key Infrastructure Standards,” in which it noted that “On July 20, 2012, the Commission issued an order directing all Certification Authorities who have acquired or are seeking to acquire North American Energy Standards Board (NAESB) certification pursuant to the NAESB standard on Public Key Infrastructure (PKI) to report on the use of PKI by utilities. The Commission took this action due to allegations of improper use of the NAESB PKI standards. The Commission received responses from four companies. Based on the information received, further action by the Commission does not appear necessary at this time. However, as explained below, the NAESB PKI standards are aimed at facilitating the security of commercial transactions, and are separate from the obligation of affected utilities under section 215 of the Federal Power Act (FPA) to take steps to ensure the cybersecurity of the bulk-power system. As discussed further below, we remind utilities of their primary role and responsibility in ensuring the security of critical cyber assets, and of the need to frequently reassess their cybersecurity protections to confirm their sufficiency.” The report is under review to identify additional areas of standards development which will be suggested as additions to the 2012 and 2013 annual plans.

For more information, please go to WEQ-021 Final Action, Board Certification Program Committee Web Page, Accreditation Requirements for Certification Authorities.

**Smart Grid Activities:** The Smart Grid Standards Subcommittee on Priority Action Plan (PAP) 10 is in the process of discussing revisions to the Energy Usage Information Model. These revisions are being considered to reflect modifications made to the IEC CIM (61968), Smart Energy Profile 2.0, the NAESB Energy Services Provider Interface (ESPI) standard and the related efforts of ASHRAE. The subcommittee met on April 27, 2012 and July 26, 2012 to review the proposed modifications and to develop REQ Data Privacy Task Force Web page, NARUC Resolution on Smart Grid Principles, 2011 Grid-Interop Web Page, Green Button Web Page.

**Preemption and Competition:** The Open Access Same-Time Information Systems (OASIS) manages the electronic scheduling of wholesale electricity. The WEQ OASIS Subcommittee is currently developing a process to maintain preemption and competition on the systems. The subcommittee recently focused its efforts on the development of the process for short term firm preemption and competition. The OASIS Subcommittee has announced face-to-face meetings on October 24 – 25, 2012 and November 27 – 29, 2012 and conference calls on October 4, 2012, November 8, 2012 and December 13, 2012.

For more information, please go to WEQ OASIS Web Page.
STANDARDS DEVELOPMENT (continued)

Data Privacy: On August 16, 2012, NAESB received Request No. R12008, from the Smart Grid Interoperability Panel Cyber Security Working Group (CSWG). This request has been triaged to the REQ Data Privacy Task Force, which was previously co-chaired by Christine Wright of the Texas Public Utility Commission and Robin Lunt, formerly the National Association of Regulatory Utility Commissioners (NARUC) Assistant General Counsel, and now with Commissioner Clark of the FERC. The result of a CSWG review, Request No. R12008 identified updates to the privacy and cyber security requirements for NAESB REQ.22. The request proposes updates to the cyber security requirements for supporting privacy as well as traditional cyber security requirements for third party access to smart meter-based information. The CSWG recognized that in some cases there may be guidance in these areas from other sources, including state legislative or regulatory bodies. The request emphasizes that adoption of the recommended enhancements would result in additional cyber security and privacy protections for those utilizing these model business practices, as well as for customers seeking to have their smart meter-based information released to third parties.

The Retail Business Practice Subcommittee (BPS) and the REQ Data Privacy Task Force have been working jointly with the Demand-Side Management and Energy Efficiency (DSM-EE) Subcommittee to review a recommendation of the 2012 Retail Annual Plan Item 10.b which calls for the development of a new standardized form to obtain retail customer's authorization for the release of their information to a third party. An initial joint meeting was held on March 28, 2012 to discuss and develop the Retail Customer Authorization Form. Subsequent joint conference calls were held on June 26, 2012, August 20, 2012 and September 26, 2012 to address comments submitted on the draft.

For more information, please go to Request No. R12008, from the Smart Grid Interoperability Panel Cyber Security Working Group (CSWG).

Demand-Side Management and Energy Efficiency: On April 19, 2012, the FERC initiated a Notice of Proposed Rulemaking (NOPR) in Docket No. RM05-5-020 to incorporate by reference phase two of the WEQ-015 Measurement and Verification of Wholesale Electricity Demand Response Business Practice Standards and WEQ-021, Measurement and Verification of Energy Efficiency Products Business Practice Standards. After WEQ Executive Committee adoption on June 8, 2012, NAESB filed minor corrections to the energy efficiency standards with the FERC on July 17, 2012. The minor corrections apply to consistency between the WEQ REQ versions of the standards and eliminate any potential issues that may occur due to the non-static reference to the International Performance Measurement and Verification Protocol (IPMVP), included in the business practice standards.

In response to the NOPR, the FERC received over twenty sets of comments on the proposed standards. The due date for comments on the NOPR was extended to July 30, 2012. In late May, NAESB successfully hosted two, two-hour informational sessions to review the standards. These sessions, for NAESB members, provided a better understanding of the standards and the context in which they were developed.

The complementary REQ energy efficiency business practice standards were adopted unanimously on August 22, 2012. These standards are consistent with the WEQ standards, through the coordination efforts of the Retail Glossary Subcommittee, chaired by Patrick Eynon and the WEQ Standards Review Subcommittee, co-chaired by Ed Skiba and Narinder Saini. In addition to the energy efficiency standards, the REQ also adopted standards that facilitate customer enrollment, drop and information changes in demand response programs. Both sets of standards are currently out for membership ratification through October 26, 2012.

For more information, please go to FERC NOPR in Docket No. RM05-5-020, FERC Final Rule - Order No. 676-F, July 17, 2012 Minor Corrections FERC Filing, Retail EE Recommendation.

Board Revenue Committee: On September 20, 2012, the NAESB Board of Directors approved a number of recommendations from the Board Revenue Committee, which had previously been supported by the Managing Committee. The changes further delineate member from non-member benefits. The web site will be changed to allow non-members access to current information on the web site, while members will have access to all information. Non-member attendees will be assessed a fee to attend NAESB subcommittee meetings. Non-member attendees may choose to pay an annual fee of $1,000 per subcommittee, or $100 for each subcommittee meeting of four hours or less and $300 for each meeting more than four hours. NAESB courses and products for non-members increased as well, including prices for non-members for certifications.

Also on September 20, 2012, based on Revenue Committee efforts, the NAESB Board of Directors approved raising the membership fee to $7,000 in 2013. The NAESB Board of Directors also approved decreasing the number of board meetings to three times per year.

For more information, please go to August 9, 2012 Revenue Committee Notes, September 14, 2012 Revenue Committee Notes.

NAESB Primers and Training Courses:

Please monitor the NAESB Primers and Training Courses web page for additional information and scheduling of upcoming courses.

LDC Gas Forums
Electric Industry Registry: The NAESB office continues to work with both Open Access Technology International (OATI) and NERC on the transition of the NERC Transmission System Information Networks (TSIN) Registry to the NAESB Electric Industry Registry (EIR).

Parallel testing of the new system began on May 14, 2012 and to date over 1,081 entities-roles have registered in the new EIR. According to estimates calculated by OATI, the 1,081 entities account for nearly 96% of all entities anticipated to register in the new system. OATI is in the process of wrapping up their efforts to individually contact each of the remaining entities with active e-Tags in the current TSIN about registration. Once the contact efforts are complete, NERC, NAESB and OATI will meet to discuss the next steps regarding entity registration and the process of verification. Throughout the registration process the co-chairs of the Joint Electric Scheduling Subcommittee (JESS) and the NAESB office have been working to address any issues or questions presented by new registrants or entities that have not registered. NAESB has begun posting registration statistics information on a more frequent basis on the EIR website and will also post additional reports concerning the unregistered source/sink and point of receipt/point of delivery points contained in the TSIN. NAESB and OATI have continued to hold weekly calls to review the status of issues identified during the parallel test of the new system and make modifications when needed through the OATI web support system. The co-chairs of the JESS have participated in these calls and have been absolutely essential in resolving the issues identified. OATI and NAESB are currently finalizing the 24-hour emergency publication process requested by the JESS and are continuing to discuss possible solutions for making the registry publication publically available without compromising the security of the EIR. The parallel test is scheduled to run for six months in duration but the cutover date will be set once all issues have been resolved. NERC and NAESB will work together with OATI to make certain that the registry publication is meeting the needs of the industry and provide ample notice to the industry before cutting over to the new system.

For more information, please go to NAESB Electric Industry Registry.

2013 Annual Plan Preparation: The 2013 annual planning process will begin shortly with an October conference call open to all NAESB members and interested industry participants. The call will focus on standards development activities that would be appropriate for each quadrant to undertake in 2013. For each quadrant, the following considerations should be made: (1) the plan may already have several items that are carryovers from 2012 to 2013, (2) the plan priorities may need to reflect deadlines and expectations of regulatory or industry groups, and (3) the plan priorities for 2012 may not be the same as the plan priorities for 2013.

Retail Restructuring: A meeting of the Board Retail Structure Review Committee was called on September 18, 2012 in response to concerns raised by the Managing Committee regarding compliance with the NAESB Bylaws membership requirements. According to Section 2.3 of the NAESB Bylaws, “[i]n order to have representation on the Board of Directors or EC, a Quadrant shall have at least forty Voting Members and at least four Segments. Each segment shall have at least five Voting Members.” The committee should hold one or two meetings before the next Board of Directors meeting, and anticipates giving a presentation to the board on the restructuring, during which time a recommendation will be made to the board for action on either a waiver or another course of action.

Filings: On September 15, 2012, NAESB submitted Version 003 of the WEQ standards to the Commission. The close to one-thousand new standards and more that were modified are contained in NAESB Business Practice Standards WEQ Version 003. Version 003 was published on July 31, 2012. The submission to the Commission of Version 003 supports actions identified in FERC Order Nos. 890, 890-A, 890-B, and 890-C, including the standards to support Network Integration Transmission Service (NITS) on Open Access Same-Time Information Systems (OASIS), the previously filed standards to support Service Across Multiple Transmission Systems (SAMTS), standards to support the Commission’s policy regarding rollover rights for redirects on a firm basis, standards that incorporate the functionality for transmission providers to credit redirect requests with the capacity of the parent reservation and standards modifications to support consistency across the OASIS related standards. Also included are the modifications to the coordinate interchange standards to complement the updates to the e-Tag specification, modifications to the gas-electric coordination standards to provide consistency between the two markets and a standard set of terms, and definitions and acronyms applicable to all NAESB WEQ standards. The report also includes standards for demand-side management and energy efficiency, as previously filed with the Commission on April 17, 2009, and April 30, 2011 and the Smart Grid related standards previously filed with the Commission on July 7, 2011. This development effort covered the period of March 2009 to July 2012.

In response to an industry letter regarding gas-electric coordination, NAESB filed comments with the Commission on June 22, 2012 in Docket No. AD12-12-000. The comments, addressed to Chairman Wellinghoff, clarified that the nature of NAESB’s efforts regarding coordination between the natural gas and electricity markets were not to shape specific policy recommendations. The Commission issued “FERC Final Rule: Standards for Business Practices of Interstate Natural Gas Pipelines” on July 19, 2012 (Docket No. RM96-1-037; Order No. 587-V), that amends the regulations, 18 CFR. 284.12, to incorporate by reference the NAESB Business Practice Standards WGQ Version 2.0 applicable to natural gas pipelines. The rule was published in the Federal Register on July 26, 2012 and became effective August 27, 2012. Through the rule, the Commission requires interstate pipelines to comply with the NAESB Version 2.0 standards beginning on December 1, 2012. In addition, pipelines must file tariff records to reflect the changed standards by October 1, 2012. On May 4, 2012, NAESB filed a status report which finalized minor corrections to WGQ Standard Nos. 0.3.19 and 0.3.2, which were incorporated in the final rule.

For more information, please go to FERC Order No. 764, Letter received from Senator Reid, NAESB Response to Senator Reid, NAESB Government Activities Web Page.
LockLizard Safeguard Secure Viewer Software: To support non-member access to protected NAESB work products and protect NAESB revenue stream, NAESB offers LockLizard Safeguard Secure Viewer, a document viewer software which will allow evaluations of the work products at no cost to the requestors. We provide this access in recognition that either: (1) non-members may need an abbreviated review of work products prior to purchase, or (2) non-members would review the standards as they prepare comments to regulated entities, although the non-members would not use the standards as they operate in the wholesale or retail natural gas or electric markets.

Non-member requests for evaluation are governed by the following rules:

• The review, considered a limited waiver, extends for three or sixty business days based on the purpose of the review, and the request for a limited waiver cannot be repeated for a given company and requested set of standards or final actions.

• The limited waiver is granted for evaluation or commenting purposes only.

• Once access to the protected documents is established, the access is restricted to viewing – it does not extend to printing or copying.

• The protected work products provided under the waiver should not be reproduced, adapted, displayed, distributed or shared in any manner.

To access the work product(s):

• Contact the NAESB office and request the specific version of standards or final actions.

• In order to evaluate the requested set of standards or final actions, there are two steps: (1) installing the PDF Secure Viewer, and (2) registering.

• Ms. Rager (drager@naesb.org, 713-356-0060) from the NAESB office can provide support in both steps.

If you are not a member of NAESB and would like to use NAESB final actions or published standards for other than the purposes noted above, please contact the NAESB office at 713-356-0060 or naesb@naesb.org for permission. Of course, non-members can purchase the work products. As stated earlier, members have access to the work products as part of the benefits of membership.

We hope that this product is helpful to non-members in expanding the access to the work products and providing a tool for evaluation.

### NAESB Quadrant/Segment Membership Analysis:

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For more information, please go to Copyright, NAESB Material Order Form or contact Denise Rager (drager@naesb.org) for additional information.