**Background on North American Energy Standards Board (NAESB) and the Business Practice Standards in the Final Rule in RM05-5-020**

In 1996, the Commission adopted certain standards/information requirements for its Open Access Same-Time Information Systems (OASIS) to be maintained by Public Utilities.[[1]](#footnote-1) More specifically, the Commission added Part 37 of Title 18, Code of Federal regulations (CFR). The Standards of Conduct were designed to prevent employees of a public utility (or any of its affiliates) engaged in marketing functions from preferential access to OASIS-related information or from engaging in unduly discriminatory business practices. The regulations require companies to separate their transmission operations/reliability functions from their marketing/merchant functions and prevent system operators from providing merchant employees and employees of affiliates with transmission-related information not available to all customers at the same time through public posting on the OASIS.

When the Commission developed its OASIS program (Regulations, Standards and Communication Protocols, Data Dictionary, and Business Practice Standards), it relied heavily on the assistance provided by all segments of the wholesale electric power industry and its customers in the ad hoc working groups that came together and offered consensus proposals for FERC’s consideration. This process was very successful; however, it became apparent to FERC that issues remained that would be better addressed by an ongoing industry group rather than by continued reliance on an ad hoc approach. The industry group would be dedicated to drafting consensus industry standards to implement the FERC’s OASIS-related policies, and policies for other industry business practices, that would benefit from the implementation of generic industry standards.

On December 19, 2001, the Commission issued an order[[2]](#footnote-2) asking the wholesale electric power industry to develop business practice standards and communication protocols by establishing a single consensus, industry-wide standards organization for the wholesale electric industry, to complement the market design principles the Commission was developing.

In response to FERC’s request, NAESB and the North American Electric Reliability Council (NERC)**[[3]](#footnote-3)** filed a joint letter (on December 16, 2002) explaining that both organizations had signed a memorandum of understanding “designed to ensure that the development of wholesale electric business practices and reliability standards are harmonized and that every practicable effort is made to eliminate overlap and duplication of efforts between the two organizations.”**[[4]](#footnote-4)**

On January 18, 2005, NAESB filed a report with FERC detailing the Wholesale Electric Quadrant’s (WEQ) activities over the past two years since the group’s inception. This filing represented NAESB’s first filing with FERC to report on wholesale electric business practices. NAESB reported that the WEQ adopted business practices standards and communication protocols for the wholesale electric industry. These standards included the following OASIS-related business practice standards and communications protocols: (1) OASIS Business Practice Standards; (2) OASIS Standards and Communication Protocols; and (3) an OASIS Data Dictionary.**[[5]](#footnote-5)**

These standards established a set of business practice standards and communication protocols for the electric industry to enable industry members to achieve efficiencies by streamlining utility business and transactional processes and communication procedures. The standards replaced, with modifications, the Commission’s existing Business Practice Standards for Open Access Same-Time Information Systems (OASIS) Transactions and OASIS Standards and Communication Protocols and Data Dictionary requirements. Adopting these standards established a formal ongoing process for reviewing and upgrading the Commission’s OASIS standards as well as adopting other electric industry business practice standards.

NAESB is a private consensus standards developer that divides its activities among four quadrants, each of which is composed of members from all segments of its respective industry.**[[6]](#footnote-6)** NAESB is an accredited standards organization under the auspices of the American National Standards Institute (ANSI). NAESB’s procedures are designed to ensure that all industry members can have input into the development of a standard, whether or not they are members of NAESB, and each wholesale electricity standard that NAESB’s WEQ adopts is supported by a consensus of the seven industry segments: end users, distribution/load serving entities, transmission, generation, marketers/brokers, independent grid operators/planners and technology/services. Under the WEQ process, for a standard to be approved, it must receive a super-majority vote of 67 percent of the members of the WEQ’s Executive Committee, with support from at least 40 percent of each of the seven industry segments.**[[7]](#footnote-7)** For final approval, 67 percent of the WEQ’s general membership must ratify the standard.**[[8]](#footnote-8)**

1. Final Rule issued April 24, 1996, in Docket No. RM95-9-000. See text of rule at <http://www.ferc.gov/legal/maj-ord-reg/land-docs/order889.asp> [↑](#footnote-ref-1)
2. See Electricity Market Design and Structure, 97 FERC ¶ 61,289 (2001) (December 2001 Order), 99 FERC ¶ 61,171 (May 2002 Order), reh’g denied, 101 FERC ¶ 61,297 (2002) (December 2002 Order). [↑](#footnote-ref-2)
3. NERC is now the North American Electric Reliability *Corporation*. [↑](#footnote-ref-3)
4. The filing is available at <http://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=9607888> [↑](#footnote-ref-4)
5. The filing is available at <http://elibrary.ferc.gov/idmws/common/OpenNat.asp?fileID=10369845> [↑](#footnote-ref-5)
6. The four quadrants are the wholesale and retail electric quadrants and the wholesale and retail natural gas quadrants. [↑](#footnote-ref-6)
7. Under NAESB’s procedures, interested persons may attend and participate in NAESB committee meetings and phone conferences, even if they are not NAESB members. [↑](#footnote-ref-7)
8. *See* Report at 2, North American Energy Standards Board, Measurement and Verification of Demand Response Products, Docket No. RM05-5-020 (filed May 3, 2011) (May 3 Report) (providing a status update and description of the proposed standards). In accordance with applicable copyright laws, complete versions of the standards are available from NAESB at 801 Travis Street, Suite 1675, Houston, TX 77002, telephone: (713) 356-0060, http://www.naesb.org, and are available for viewing in the Commission’s Public Reference Room. [↑](#footnote-ref-8)