

Resolution Establishing Principles For Development Of Wholesale Electric Business Procedures

WHEREAS, The establishment of wholesale electric markets throughout the country has highlighted the need for some standardization of commercial business practices related to these markets; and

WHEREAS, There is currently an industry discussion to determine what organization will host the standards setting process for wholesale electric business standards and to determine what that process will be; and

WHEREAS, The Federal Energy Regulatory Commission (FERC) has called on the industry to "create a single standards organization that will develop a consistent set of national business practice and communication standards that will serve to create an integrated wholesale electricity market" by March 15, 2002 or it will institute its "own procedures either to choose an organization to develop such standards or to develop the standards" themselves (FERC Order Issued December 19, 2001 in Docket No. RM01-12-000); and

WHEREAS, Many reliability measures can be effectively implemented through good business practices; and

WHEREAS, Careful attention is needed in development of business practices to assure that they are consistent with preserving electric system reliability; and

WHEREAS, The electric system on which the wholesale market is based has varying designs in different regions which leads to the need for a variety of implementation strategies for some business practices; and

WHEREAS, States have a mandate to assure the maintenance of safe, adequate and reliable electric service and this responsibility could be affected by business practices established without State guidance; and

WHEREAS, States from time-to-time have a need to implement standards that might be in variance with nationally established procedures, or reflect local market conditions; and

WHEREAS, States in carrying out their legal mandate provide due process in their proceedings, and are not subject to the processes of industry organizations; and

WHEREAS, Smooth operating markets require that participants have full confidence in the process under which business practices are established; and

WHEREAS, The electric wholesale markets interface with the electric retail and gas wholesale markets; now therefore be it

RESOLVED, That the Board of Directors of the National Association of Regulatory Utility Commissioners (NARUC), convened in its February 2002, Winter Meetings in Washington D.C., hereby establish the following principles under which a standards board for the establishment of electric wholesale business practices should be established:

- A functional market is dependent on system reliability being maintained.
- A single, industry-based process that produces wholesale electric standards but is composed of separate but interactive committees to address reliability and business practices is needed.
- The standards organization must have fair, open, inclusive, appealable and flexible processes, preferably with ANSI certification to ensure these principles are continued through time.
- States must be involved in the standards setting process, which could include a full voting right.
- The business standards process must coordinate with the wholesale gas and retail electric standards processes.
- Standards must allow for regional differences.
- Given the States' legal mandates to ensure safe, adequate and reliable service, challenges to State-established standards that affect wholesale business practices must go directly to FERC.
- Provision must be made for a transition to standards set by the new board such that reliable service is not impacted and that retail ratepayers are not harmed.

Sponsored by the Committee on Electricity
Adopted by the NARUC Board of Directors February 13, 2002