



**Federal Energy Regulatory Commission
April 20, 2006
Open Commission Meeting
Statement of
Chairman Joseph T. Kelliher**

**E-1: Standards for Business Practices and Communication
Protocols for Public Utilities (RM05-5-00)**

"In this Final Rule, the Commission amends its regulations to incorporate by reference business practice standards and communication protocols for the electric industry as developed by the Wholesale Electric Quadrant (WEQ) of the North American Energy Standards Board (NAESB).

The standards replace, with modifications and improvements, the Commission's existing business practice standards for Open Access Same Time Information System (OASIS) transactions and OASIS standards and communication protocols requirements.

These standards are the culmination of a process initiated by the Commission in which we asked the electric industry to first establish a consensus, industry-wide standards organization for the wholesale electric industry, and for that body to develop the business practice standards and communication protocols. NAESB has fulfilled that role and, with industry, has proposed a first set of standards that we are incorporating by reference into our regulations with relatively minor modifications.

As the Final Rule states, 'these standards establish a set of business practice standards and communication protocols that will enable industry members to achieve efficiencies by streamlining utility business and transactional processes and communication procedures.'

Significantly, by adopting these standards and through the development of the NAESB-consensus approach, the industry will have a formal ongoing process for reviewing and upgrading the Commission's OASIS standards as well as adopting other electric industry business practice standards.

Also of note, the North American Electric Reliability Council (NERC) and NAESB have worked cooperatively and in coordination to ensure that the NERC reliability standards and the NAESB standards are harmonized and eliminate duplication or inconsistencies.

In the Final Rule, we incorporate by reference into our regulations four business practice standards that complement NERC's Version 0 reliability standards. These four standards include Coordinate Interchange, Area Control Error, Manual Time Error Correction, and Inadvertent Interchange Payback.

We commend the resolution by NERC and NAESB as to these four standards, which raised the question as to whether a standard should be developed by NERC because of its reliability implications or whether it is more appropriately a business practice standard to be developed by NAESB.

It will be important for NAESB and NERC (and soon the ERO) to continue their dialogue and coordination in developing appropriate standards under the appropriate auspices. We will rely in large part on the judgment of these organizations in

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making such determinations. This is an area of increasing importance as the Commission reviews and ultimately approves reliability standards proposed by the ERO under our new authority pursuant to the Energy Policy Act of 2005.

Among the more significant calls made by the Commission in response to requests for rehearing (other than those related to the reliability-related standards) are:

We will not incorporate by reference the WEQ Standards of Conduct for Electric Transmission Providers since they duplicate the Commission's regulations; however, NAESB offered to revise its standards to implement the Commission Standards of Conduct, and we look forward to receiving that work product.

We require each public utility that requested a waiver of any standard in this proceeding to file a request for waiver, which we can decide on a case-by-case basis. In addition, utilities, including ISOs and RTOs, that have existing waivers of OASIS standards will be required to reapply for a new waiver.

The Commission states in the order that we typically allow recovery in rates of prudently incurred costs to comply with standards such as those promulgated by NAESB, and we will make those determinations on a case-by-case basis.

We require that NAESB revise its standards concerning rollover rights to be consistent with the Commission's policies on this subject as provided for under the pro forma OATT.

Finally, I want to commend former Chairman Pat Wood for his leadership in this area. The process that resulted in this Final Rule adopting business practice standards and communication protocols for the electric industry began under Chairman Wood in December 2001. I am pleased we are taking the final step today."