

**North American Association of Issuing Bodies
Conference Call
Meeting Notes**

July 25, 2006 2:00-3:30 pm EDT

Telephone Participants:

• Sakis Asteriadis, APX	• Jan Pepper, Clean Power Markets/NJ SRECS
• Dennis Duffy, Energy Management, Inc./GIS	• Sue Pierce MN Dept. of Commerce
• Lynn Fountain, DBH/NEPOOL	• Ken Schuyler PJM-EIS
• Jan Hamrin, CRS	• Sam Swanson Pace Energy Project
• Ed Holt, consultant to CRS	• Devon Walton, GIS Administrator/APX
• Rasa Keanini, California Energy Commission/WREGIS	• Meredith Wingate, CRS
• Joe Kerecman, PJM EIS/GATS	•
• Greg Morris, Green Power Institute/WREGIS	

Introduction

Meredith introduced the call by reviewing the 2 page summary of NAAIB status and options for going forward, entitle “Considerations for Incorporation of the NAAIB.”

Meredith explained that the NAAIB is a Program of CRS. As such, CRS has obligations and responsibilities to the funders of the NAAIB. CRS’ intention has always been to spin the NAAIB off as an independent organization. In April 2005, a formal governance structure for the NAAIB and a path towards incorporation was proposed by CRS and rejected by Working Group participants who opted instead for a less formal “Working Group.”

Meredith explained that in order to allow the NAAIB to be completely autonomous from CRS with independent decision-making, it needs to be financially independent of CRS, and certain decisions need to be made about the governance and decision-making of the organization.

CRS has remaining grant money to last for the next 8-12 months at current staffing levels, depending on how active the group is. It is reasonable to assume that it could take up to one year to finalize decisions on the By-Laws, and develop and implement a business plan.

Thus far, CRS has drafted Articles of Incorporation, reserved the name of the NAAIB from the Secretary of State of California, and drafted organizational By-Laws for the NAAIB. A business model needs to be developed with an ongoing and self-sustaining funding mechanism for the NAAIB, the By-Laws needs to be reviewed and revised per Working Group suggestions, and all documents need to undergo legal review.

Meredith then outlined three options for moving towards an independent NAAIB:

1. Begin working on incorporation right now. This option prioritizes the development of a business model and governance structure for the NAAIB.
2. Set a goal for incorporation at some defined point in the future (6 months? one year? two years?) and agree to revisit the issue of incorporation at that time. This options requires no commitment now from Working Group members, but shows an intent to incorporate in the future. Until then, the Working Group will continue to work on “Best Practices” in our regular meetings.
3. Put off incorporation indefinitely and continue along our present path of developing Best Practices with the Working Group and stakeholders. Under this option, the NAAIB would remain a Program of CRS, fully funded through grants obtained by CRS.

Ken S. proposed two other options:

4. To continue Working Group discussions, but not as an incorporated entity or a program of CRS. This option was refined by Dennis and Lynn with comments that the organization did not need alot of overhead expenses of staff and that the basic work could be carried out by Working Group members, similar to work that is being done to coordinate operations between control areas.. It was proposed that this would be a voluntary affiliation without staff or legal structure. The organization would be unincorporated, non-voting, and non-binding. This option would not have a formal structure, other than generally governed by consensus of participants.
5. A three party dialogue between PJM, NY and NEPOOL on seams issues as needed. Meredith responded that this is always an option for those three groups to do at any time, but does not represent a real option for the NAAIB, which includes the Midwest, West, Canada and Texas as well. This option was essentially taken off the table for this NAAIB discussion (though it continues to be an option for those three tracking systems to do at any time.)

Discussion of Four Options

Dennis disagreed with the proposition that the funding source should control substantive policy recommendations and stated that the NAAIB should be independent as to its policy positions, regardless of any funding issues.

Ken noted that his objection was not to CRS funding, but rather that NAAIB was becoming more advisory and CRS was no longer trying to reach consensus. Jan and Meredith explained that for the past year we have tried to reach consensus on issues and meet obligations to funders but the past year's experience is showing it is not always possible to do both. Meredith clarified that CRS will try to reach consensus when possible, but will publish documents as CRS papers when consensus can not be reached.

Joe K. noted that more consistency among all tracking systems is probably a good thing and his customers would support that, but it is not urgent for GATS right now. The problem with best practice dialogue is that if best practices result in conflict with a GATS practice, and GATS is not prepared to implement them, it is very awkward. The Best Practices may be the ideal, and everyone may even agree that it is the ideal in the context of a national network approach, but as far as implementing those Best Practices, there may not be any urgency, and tracking systems and customers might be happy with "good enough" for now. GATS is focused on what their customers and participating states want, and these folks aren't thinking about a national network right now.

Greg M. noted that WREGIS is about a year away from operation, but they would like to be part of the NAAIB/tracking system discussions. WREGIS participants value being in touch with other systems, and hope to learn from their experience. The WREGIS Board and CEC staff would like to see option 2 happen, with NAAIB spun off eventually. The NAAIB situation is similar to WREGIS' own situation, in that currently WREGIS is not self-funding (is funded by the CEC) and thus the CEC has a dominant decision-making role. However, once WREGIS is operational and self-supporting, the CEC won't be so dominant.

Jan H. commented that best practices for a common network may be different from best practices for an individual tracking system. There is a fundamental difference in perspective that results in different answers to the question of best practice, not that one is right and the other is wrong. Dennis responded that the fundamental function of the GIS is to provide an accurate accounting of the attributes of the energy that is actually used to serve NEPOOL load, for purposes including the monitoring of air quality, a purpose which is inconsistent with the goal of having a common national network of tracking systems that account for attributes without regard to location of the associated energy, the buyer or the seller (and which Jan H. compared to the national banking system's network of ATM machines.)

Lynn commented that Option 4 could also include CRS as a participant, but without an obligation to a particular funder, or an obligation to run through a specific checklist.

Joe suggested that the agenda for Option 4 should be based on immediate needs, so in that regard, would probably not have as large of an agenda (and thus would not need to meet as often and have as much overhead expense).

Jan P. said that Option 4 should include all systems. There are essentially two companies that are building these systems, and we already talk with each other.

Sakis commented that he is in favor of Option 4, because it is the only way that APX as a vendor associated with tracking systems can have a valuable contribution. He feels it is OK for different systems to operate with different practices and that they can work through the communication problems.

Meredith then asked representatives of each of the tracking systems to give some indication of which of the Options they were most supportive of. In summary:

NE GIS (represented by Dennis and Lynn) supports Option 4.

PJM GATS (represented by Joe and Ken) supports Option 4.

WREGIS (represented by Greg and Rasa) supports Option 2.

Next Steps

Since there was no representation on this call from some tracking systems, Meredith indicated that she would contact each of them to find out which Option they support. The next NAAIB working group call is scheduled for August 15, 2006 at 11:00 am pacific time. Ed suggested that Staff draft up the fourth Option so people can look at it again if wanted. We will make a final decision on the path forward on the next call. There was not substantial time left to discuss the Draft Best Practices for Transferring Certificates. Dennis added that much of such edits clarify that the resulting document would be the solely the recommendation of the CRS, without the approval of the NAAIB.

Addendum to Meeting Notes from NAAIB Conference Call on July 25, 2006.

Meredith telephoned those tracking systems that were not able to participate on the conference call on July 25, 2006, to get their opinion on the four options presented for the future path of NAAIB. A brief summary of those conversations is below.

M-RETS: Paul Helgeson commented that M-RETS would like to be a part of the NAAIB, and felt that it needed to be on a track towards independence to be effective. M-RETS will not have any money to contribute towards the incorporation until M-RETS is operational, sometime in the second half of 2007. Paul was supportive of Options 1 or 2, and would consult with other M-RETS representatives to confirm they agree with this direction.

NYSERDA: The NYSERDA representatives (John Saintcross, Jeff Peterson, and Kevin Hale) commented that they would like to be a part of the NAAIB, and they felt it was more valuable to them to engage in discussions on best practices with tracking systems other than just those in the Northeast. Since New York is going to be addressing many of the functional and governance

issues in developing their own tracking system, they felt they could learn from the experience of systems across the country. They also thought that NAAIB could play an important role in providing a centralized/organized forum for the exchange of ideas and their integration, and thus more structure, not less, would be preferable; hence support for Options 1 and 2. They expressed a desire for more involvement of parties having the public interest at heart (such a regulators) and offered to suggest to the NYS PSC staff that it become more engaged in the discussions of the Working Group (i.e. representation on the Working Group calls) as NY proceeds to build a tracking system.

ERCOT: Roy McCoy commented that ERCOT would like to see more structure around the NAAIB with members of the Working Group having more accountability to the NAAIB. If companies are going to invest money in changes that help harmonize systems, then the NAAIB needs more teeth and a more formal governance structure. ERCOT will be looking to see what assurances will develop that will help to make sure that IBs are able to and have full functionality to perform as an IB. Roy commented that it is nearly impossible to reach consensus on issues, so one entity needs to be able to make the final decisions, and ERCOT was comfortable with CRS playing that role since it currently controls the budget. When NAAIB is independent, we will have formal rules for how to handle lack of consensus. Roy was most supportive of Option 1.

Environment Canada: Leslie Welsh supports Option 2 and believes that for NAAIB to be successful in achieving its goals it must be able to act independently according to a governance mechanism that takes account of its members' and supporters wishes. He commented that while a fully successful NAAIB would have the support of all issuing bodies and tracking systems, including appropriate resourcing, this need not occur immediately as support is garnered and interim but useful "best practices" guidance documents are produced. These "best practices" assist in increasing the fungibility of RECs in North America, while continuing to enable market participants and local tracking systems to act in accord with policies determined by the authorities having jurisdiction. Eventually, the opportunity represented by a functioning NAAIB's coordination, information sharing, standards' setting and such other services as are agreed, will become attractive to most. While at this point Environment Canada cannot commit to funding, whether through membership fees or other means, it will consider this seriously in due course in anticipation of the formalization of the NAAIB structure.

Terrachoice¹: Susan Herbert commented that she was most supportive of Option 1. They also though Option 2 was acceptable. Terrachoice thinks this is an important process and would hate for it to get mired. She thought that NAAIB eventually needs to be its own organization with formal decision-making and a budget. Given that incorporation could take up to one year, she thought we should start working on it right away, so that when the grant funding is gone, the organization is ready to be independent.

NJ SRECS Program could not be reached for comment.

¹ Terrachoice is the verifier of electricity generation facilities and electricity products for the Environmental Choice Program, a North American Type I eco-label.