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A Focus on the Future:
A Strategic View of Standardization
for the North American Energy Standards Board

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Thank you, <<*name of person giving introduction*>>.

Good afternoon everyone. I am honored to join the distinguished members of the NAESB Board of Directors, invited guests, and staff as you consider the future direction of your organization.

When Rae McQuade and Jim Cargas approached me with the request to participate in today's meeting, I was eager to accept. Not only is this my first opportunity to interface directly with the Board's membership and to hear more about your efforts to bring together the private and public sectors in the development of voluntary electricity standards, but it is also an honor to be asked to join with you on your tenth anniversary.

I bring with me the warm wishes of the Institute's members and staff and our congratulations on ten years of establishing business practice standards for the North American energy community. I also wish you luck as you begin your strategic discussions tomorrow morning.

To help set the stage for your discussions tomorrow – and to give you a precursor of the theme of my message to you tonight – I would like to share with you a quote from my favorite President, Ronald Reagan, who we honor this week.

On October 27, 1964, Reagan went on national television to campaign for Arizona Senator Barry Goldwater during Goldwater's challenge to President Lyndon Johnson. Reagan's speech, titled "A Time for Choosing," featured the following statement:

> "Either we accept responsibility for our destiny, or we abandon the American Revolution and confess that a far-distant capital can plan our lives for ourselves."

I believe that this statement can also be applied to standards-setting.

There are two choices:

You can take control of your own destiny and proceed actively forward – participating and playing a leadership role in the establishment and implementation of the standards that impact your business – or you can stand on the sidelines and let the standards that impact your business be set by others in a far-distant capital – today perhaps not Washington, but Paris, Geneva or Beijing.

(pause)

As I see it, there are many interesting factors – both within and external to members of NAESB and the energy industry – that will impact your view of the future:

- First, negotiations continue within Washington, DC to reach the compromises necessary to pass a comprehensive energy bill. As such, there is no better time than the present to strengthen any forum that successfully brings together representatives of the private and public sectors for mutual benefit.

- Second, since the Blackout of August 14, 2003, consumers are more attuned than ever to the reliability of our nation's power grid. ANSI firmly believes that standards development activities that are conducted through an open, balanced, and transparent process allows appropriate consumer participation and provides a degree of legal protection that cannot be found in other settings.

- Third, even though information exchange technologies such as EDI and XML are being widely utilized for data exchange, there still needs to be a standardized message format for the exchange of data between trading partners or barriers will complicate transactions between the communications systems. This is why business process and practice standards are so clearly recognized as a necessary compliment to reliability standards.

The mix of interests that you bring to the table – including representatives of end-users, producers and generators, distributors, pipelines and transmission, marketers, services, and more – enables NAESB to maintain a unique perspective and continue a rich heritage of service to the community you represent.

ANSI, too, is founded on the principle of diversity. We address standardization needs in such fields as nuclear energy, information technology, material handling and electronics. Alongside traditional engineering committees and design-based standards are new and innovative projects ranging from quality and environmental management, to standards for the service industry and most recently, for personnel certification programs.

Since it was founded in 1918, the American National Standards Institute has served as the coordinator of the U.S. voluntary consensus standardization system. We are a private, 501(c)3 non-profit membership organization that was established by five engineering societies and three government agencies because they recognized the need for a focal point for standards coordination, harmonization and information.

The Institute also serves as the country's official representative to the International Organization for Standardization (ISO) and, via the U.S. National Committee, to the International Electrotechnical Commission (IEC). This membership ensures that U.S. interested parties have immediate access to the standards development processes of these organizations and to the key regional standards bodies around the world.

Understand, though, that ANSI is not itself a standards developer, a government agency or a regulatory body. Rather, the Institute provides a forum where subject matter experts from the private and public sectors can work cooperatively toward the development of voluntary standards that ultimately benefit the nation. We also sponsor a process- the essential requirements for American National Standards, that ensures integrity and respect for the standards you produce.

More than 200 standards-setting organizations are now recognized by ANSI to develop American National Standards. The North American Energy Standards Board, through efforts launched by your predecessor organization, the Gas Industry Standards Board (GISB) – is one of these 200 ANSI-accredited developers.

Frequently, you work in partnership with other ANSI-accredited groups – such as the ANSI-Accredited Standards Committee X12 on electric data interchange – to harmonize business communications technologies and develop standards that meet the needs of all users.

You are also working with another ANSI-accredited organization, the North American Electric Reliability Council, and with non-accredited groups such as the ISO/RTO Council and OASIS, to address key market aspects of grid reliability, transmission seams, and more.

Because NAESB is ANSI-accredited, this means that any candidate American National Standard that your organization develops has been created through a process that adheres to the Institute's cardinal principles of openness, balance, due process, and consensus. These standards are intended to meet the needs of producers, users, the public and other relevant interest groups. This process is respected in Washington, and more importantly, in the courts.

Today, there are more than 10,000 American National Standards that have been approved by ANSI.

I suggest now that NAESB must continue to strengthen or possibly even expand and adapt your programs to meet the changing needs of industry, government and other sectors.

Why? *Because the wholesale and retail electric and gas industry provides the critical infrastructure that supports not only global trade and commerce, but also our overall safety, health and quality of life.*

By bringing together government and industry in NAESB's consensus-based standardization activities, you directly support the efforts of the broader electrotechnical community and further solidify your role as a vitally important member of the ANSI Federation.

In many nations of the world, this "voluntary approach" to a national energy infrastructure would not work. Most nations have a "top-down" approach to standardization where the government – or groups closely coupled to government – serve as the standards setters. Because of these differences, other regions perceive that no one in the U.S. — neither the government, nor any central authority — is in charge.

We know better. Our system recognizes that the need for a standard is driven by market forces and implementation is voluntary – also driven by the market. We also offer our standards to regulatory bodies, if a determination has been made that the standard is necessary for mandatory implementation.

Your organization has offered its standards on a regular basis, and as recently as February the Federal Energy Regulatory Commission proposed to incorporate by reference another NAESB standard, a creditworthiness standard from your WGC.

The U.S. Department of Energy is an ANSI member, and has been an active participant in numerous ANSI-accredited standards-setting committees for many years. Members of the ANSI community in the metropolitan DC-area received an update on the DoE's hydrogen fuel cells and infrastructure program at a meeting in Washington last Friday. The message delivered to us by the DoE was clear: the standards they want to use must be open, voluntary, consensus-based, and originate in industry.

I am also pleased to tell you about a new project between DoE, the National Renewable Energy Laboratory, ANSI and the standards community that will focus on the hydrogen fuel cells and infrastructure technologies called for in President Bush's $1.7 billion Hydrogen Fuel Initiative. In short, ANSI has agreed to work with the standards community to develop a comprehensive online hydrogen fuel cell website that will serve as a portal to connect state code officials to the voluntary standards and related information that they need.

The development and dissemination of voluntary codes and standards has been identified as a key element in progressing the President's Hydrogen Initiative. But countless other government agencies are also actively involved with the private sector.

In large part, this is in accordance with the National Technology Transfer and Advancement Act of 1995 (Public Law 104-113). The NTTAA is a law that directs federal regulatory and procurement agencies to rely upon private sector standards whenever possible – and to participate in their development. This is a substantive move away from the traditional "command and control" role of government and a move toward working with the private sector.

Another recent accomplishment further strengthens the assistance that standards developing organizations (SDOs) can provide to government agencies in developing standards for regulatory and procurement functions.

A new bill, known as the "Standards Developing Organizations Advancement Act of 2003," has been submitted for signature by President Bush. The bill amends the National Cooperative Research and Production Act of 1993 by providing limited antitrust protection to participants in standards development activities. This law will reduce unnecessary and costly antitrust litigation against SDOs that have no commercial incentive to violate the antitrust laws. My contacts on the Hill expect the President to sign the bill within the week.

(pause)

You may have also heard ANSI's name in the news recently during reports of the 9-11 Commission hearings. Earlier this year we engaged in a project on behalf of the Commission to identify a voluntary, national standard for private sector emergency preparedness and business continuity. 9-11 Commission chair Tom Keane and Department of Homeland Security Secretary Tom Ridge frequently refer to ANSI and our recommended standard when discussions of this topic arise.

Our work with the 9-11 Commission is an off-shoot of a project launched in early 2003 to address homeland security and emergency preparedness. ANSI formed a cross-sectoral group, now known as the Homeland Security Standards Panel to work with the U.S. Department of Homeland Security to develop solutions that will help to protect our national infrastructures, support emergency preparedness and business continuity; protect our food and medical networks; enhance cargo security programs; and much more. NERC, along with hundreds of other organizations, have been involved in the group's efforts.

Rae McQuade responded early on that NAESB was interested in the work of the ANSI-HSSP and noted that the security standards set by NAESB help to move energy related data across the Internet and, as a result, might be appropriate for the HSSP. We've been keeping Rae and the NAESB staff informed of HSSP activities.

Clearly, there are many benefits of a strong partnership between U.S. industry and government. Some of these are directly related to your industry. Others are not as directly related to energy, but certainly do impact those who rely on your services for their own ability to produce a product or service.

I think it is important for you to know that in March 2003, Secretary of Commerce Don Evans announced a new standards initiative aimed at boosting U.S. exports by reducing technical barriers to trade. Included in the program was an eight-point plan intended to augment current DoC activities. Its goal was to create a more level playing field around the world and to improve the environment for manufacturing and enable U.S. manufacturers to compete more effectively in world markets.

ANSI's input was solicited by Commerce and we assisted in finalizing the Standards initiative. On Tuesday, May 18, ANSI's chairman, Dr. George Arnold, participated with Secretary Evans in a press conference announcing the release of this report. We will be involved in working with Commerce and various other players in the private sector to assist in its implementation.

I mention the Commerce Initiative, the Homeland Security Standards Panel, and the 9-11 Commission as examples of the wide cross-section of organizations that are now actively involved in standardization – even though they may not have been in the past.

(pause)

Yogi Berra really summed it up best when he said, "The future ain't what it used to be."

In the mid- to late-1990's, leaders of the U.S. standards system recognized the value in developing an infrastructure whereby the "*formal*" process — such as that characterized by the voluntary consensus standardization system administered by ANSI — and the "*informal*" processes — such as those utilized by consortia — might work as complements to one another.

Consortia have become major players in technology-related industries where the need for rapid (in some cases "overnight") standards development was key to maintaining a competitive edge.

Over a two-year period, a diverse group of participants developed a framework that supported the U.S. sector-based approached to standardization. This framework capitalized on the strengths of both the formal and informal processes so as to help improve U.S. competitiveness abroad, provide strong support for domestic markets, and address key quality of life issues. The agreements that were reached were documented in the first-ever *National Standards Strategy for the United States* that was approved in late 2000.

On May 18, 2004, ANSI launched a review of the Strategy. We intend to update the document to reflect current practices and initiatives. We will focus our efforts towards not only current practices and circumstances but also with a view towards the future.

For example, our view of globalization has matured. Industry increasingly wants the synthesis of globally relevant solutions, including a single standard and a single test that can be accepted everywhere. The new Strategy is also expected to be more specific as to how our system should combine the best of both traditional and consortia organizations.

There are many tough issues to consider. But updating the strategy is only the beginning. Implementation is the key.

(pause)

This brings us full circle. As you can see, NAESB is not the only organization that is poised at the brink of a new strategic initiative. You are in good company . . . . . with ANSI and every other member of the U.S. standardization community.

Collectively, we all need to determine what initiatives to pursue. Our goals — and the processes to achieve those goals — require planning and effective communications between and among affected interests. As an organization, your leadership and vision will play a crucial role- and will stand on the base of respect that your organization already enjoys among regulators and public officials. That respect is a valuable resource to you- just as the respect that ANSI enjoys is valuable to us- and to our accredited developers.

But your members, have some critical decisions to make. The energy industry has been hit hard – both in the media and by world events – and your members now have to choose their level of involvement. More importantly, they have to determine whether they will *lead* or whether they will *follow* in standards development.

Here's an example:

> Many years ago, American industry was not actively involved in the work of the new ISO Technical Committee known as TC 176. This committee, which was being driven in large part by representatives of the United Kingdom, was focused on the development of a proposed international standard for quality management.
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> The work progressed and eventually resulted in the publication of a family of standards that address what an organization does to fulfill both customer and regulatory requirements, enhance customer satisfaction, and achieve continual improvement of its performance. These Quality Management standards are now known as the "ISO 9000" family and have become an international reference for quality management requirements in business-to-business dealings. They are the most widely known and recognized standards that ISO has ever published – and they were first created with little U.S. involvement.
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> When the proposal was made to create a new ISO technical committee focused on the creation of an *environmental* management system, U.S. industry recognized that the best way to influence development of the standard was to be active in the committee. We immediately stepped forward to play a leading role in the creation of the ISO 14000 family of standards that are enabling organizations to meet their environmental challenges.
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> Today, the ISO 9000 and ISO 14000 standards are implemented by well over a half-million organizations in more than 160 countries.

I would be surprised if anyone around these tables tonight has not heard of – or been exposed in some way too – the ISO 9000 and/or the ISO 14000 standards. These are perfect examples of the far-reaching – okay, the global – impact of standards.

Having a seat at the standards-setting table empowers an organization with the ability to protect its own interests and can help to prevent a competitor from successfully introducing into a standard a technology,

process or requirement that will have a negative impact on its business. Playing a leadership role in standards setting can be even more valuable in moving forward towards "next generation" technologies or systems.

Combine the business perspective with the view of government involvement and it is clear to see that standardization activities are tied directly to an organization's ability to conduct its business and, more importantly, to its bottom line.

More than anything, advances in standardization today are built upon successful collaboration and partnerships. ANSI is ready to be your partner.

As Ronald Reagan once said, "The future doesn't belong to the faint-hearted."

I encourage you to approach tomorrow's meeting with vigor and energy. And I encourage you to:

- maintain your involvement as an active and integrated member of the ANSI federation,
- retain control over the pace and content of your standardization initiatives,
- capitalize on your relationship with strategic partners, and
- strengthen your leadership role in domestic, regional and global standards and conformity assessment activities.

At ANSI, we look forward to working with you to achieve these goals.

Thank you for your time and attention.

I welcome your questions.

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