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October 23, 2002

To: North American Energy Standards Board  
North American Electric Reliability Council

From: Public Service Electric and Gas Company  
PSEG Power LLC  
PSEG Energy Resources & Trade LLC  
(Collectively referred to hereinafter as the "PSEG Companies")

**Re: Draft MOU Between NAESB and NERC dated October 15, 2002  
Comments of the PSEG Companies**

Please accept these questions and comments on the October 15 draft Memorandum of Understanding ("MOU") between NAESB and NERC.

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First "Whereas" Paragraph

Should the MOU be between NERC and NAESB or the NAESB Wholesale Electric Quadrant ("WEQ")? The MOU only applies to standards that the WEQ develops.

Second "Whereas" Paragraph

This sentence states, "NAESB is the primary industry forum for development and promotion of business practice and electronic communication standards in wholesale and retail natural gas and electricity markets." This sentence, perhaps inadvertently, appears to narrowly restrict NAESB's role. We suggest rephrasing this sentence, and other similar descriptions of NAESB's role throughout the MOU, to read: "NAESB is the primary industry forum for the development and promotion of commercial standards for wholesale and retail natural gas and electricity market, including business practice and electronic communication standards."

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### First “Whereas” Paragraph

The sentence that states that “neither organization shall be obliged to change its existing standards approval process . . .” appears to contradict the other provisions of the MOU. Clearly, the creation of the Joint Interface Committee (“JIC”) and its process will change both NERC and NAESB’s standards approval processes. In addition, the “Parking Lot Issue” identified in Paragraph 1.2 at pp. 2-3 of the draft (the potential for joint standards development) would also require changes to each organization’s existing standards approval process.

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### Paragraph 2.5

The “objective review criteria” (to be set forth in Appendix A) that “will provide guidance to the members of the JIC in determining whether the proposal should be submitted to either NAESB or NERC” are the crux of the coordination effort. Without these criteria, the MOU is meaningless. It is essentially that all NAESB and NERC stakeholders have the opportunity to review and provide input on the Appendix A criteria before the MOU is submitted to the NAESB Board for approval.

### Lines 78-79

The sentence should be modified to read “The JIC may prioritize submitted proposals if there are urgent reliability or commercial implications.”

### Paragraph 2.6

### Lines 83-87.

It is unclear why the sentence describing the “organization without development authority” assuming “an advisory-only role to the other organization” is necessary or appropriate for this MOU. First, it is inappropriate for either NERC or NAESB to assume such an “advisory role” as an organization. The members or stakeholders of each organization should be encouraged to participate in the standards development process, not the organizations themselves. In addition, NAESB has no staff to participate at NERC and is forbidden by charter and bylaws to engage in advocacy in any event. Conversely, NERC has staff and no similar restrictions, so it could participate at NAESB. Thus, the provision is lopsided and favors NERC/reliability. Moreover, by implication, an organization might have more influence in the process than individual stakeholders or trade associations, which is unfair. An organization may choose to comment or participate, but should not be authorized to do so under color of the MOU versus participation in the process generally with the same status as any other entity.

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### Paragraph 2.9

The tie-breaking and appeal processes set forth in this paragraph are inappropriate for several reasons. First, with a 50-50 split in the JIC membership, tie votes are likely. It seems unlikely that the “Chairmen of the Parties (or their designee(s))” will likely be able to resolve tie votes, when the JIC itself is deadlocked. It is also inappropriate for NERC or NAESB staff (as “designees”) to resolve ties or appeals. Vesting such rights in the “Chairmen’s designees” would ignore stakeholder input on threshold issues and is inappropriate for both NAESB and NERC.

A potential solution is to add a sentence to Paragraph 2.9 that states that parties may appeal to the FERC after exhausting the MOU appeal rights.

## Pages 5-6

### Paragraphs 4.2 and 4.3

These paragraphs appear to be unnecessary given the proposed JIC process and objective criteria. If each new standards request will go through the JIC, which is comprised of both NERC and NAESB representatives, it would be likely that the information contained in these paragraphs would be relayed to both organizations through the JIC process.

## Other Issues

### Applicability of the MOU to standards requests that have already been issued

The MOU states that “the JIC will evaluate each proposed new standard . . . to determine whether NAESB or NERC should be assigned development of the proposed new standard.” Paragraph 1.2, lines 40-42. However, it is not clear whether this requirement would apply to standards requests that have been issued (e.g., recent NERC SARs) but not yet acted upon or finalized. The PSEG Companies believe that the MOU should apply to standards requests that fall into this category. However, at the very least, the MOU should clarify this issue to avoid disputes over its applicability once it is finalized and approved.

### Approval of MOU by NAESB

Finally, we question the statement in NAESB’s transmittal memo that states that after it is finalized, the “MOU will go before both the NERC Board of Trustees and the NAESB Board for consideration.” Given that this is a critical document that will greatly impact the operation of the NAESB and, in particular, the WEQ, the MOU should be subject to a vote and approval by two-thirds of the NAESB membership prior consideration by the NAESB Board.

The PSEG Companies appreciate the opportunity to provide comments on the draft MOU.

Very truly yours,

Gregory Eisenstark