



FLORIDA RELIABILITY COORDINATING COUNCIL, INC.

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October 23, 2002

Mr. David Cook
NERC
Princeton Forrestal Village
116-390 Village Boulevard
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Dear David:

We have reviewed the November 15th draft of the MOU between NERC and NAESB. The following are our comments on three areas of concern that we have with the draft MOU.

(1) First, it is my understanding that the NERC “Reliability Standards Process Manual” is an official document established by NERC. The only way that revisions can be made to this process are outlined on Page 25 of the Manual under “Process Revisions”. For your ease, I have repeated that section below:

“Process Revisions

A request to change this Reliability Standards Process Manual shall begin with the preparation of a SAR⁵ and be handled using the same procedure as a request to revise a Reliability Standard, with the exception that a single ballot of the Ballot Pool will be conducted and the results of that ballot will be binding. Once approved by the Ballot Pool, any proposed revisions to this manual would go to the Board of Trustees for adoption. The manual may be revised only by authority of the NERC Board of Trustees.”

With the above as a preface, we feel that the current wording in the MOU would change the authority granted to the Standards Authorization Committee (SAC) under the NERC Reliability Standards Process Manual. The Manual states that the role of the SAC would be to “consider which requests for new or revised standards should be assigned for development”.

⁵ The Board of Trustees may make changes to the Industry Segments referenced in Appendix B. These changes shall be carried over to this manual without the need to prepare a SAR.

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Further, on Page 12 of the Manual, "Step 1 – Request to Develop a Standard or Revise an Existing Standard", the Manual states:

"The "Standards Authorization Committee, guided by the Reliability and Market Interface Principles, may take one of the following actions":

- Remand the SAR
- Accept the SAR
- Reject the SAR....."

On Page 30 of the Manual, the Reliability and Market Interface Principles are defined.

The current wording of the MOU appears to invalidate the SAC's responsibilities, as cited above, in that "the JIC will evaluate each proposed new standard with this recognition in mind to determine whether NAESB or NERC should be assigned development of the proposed new standard."

Further on, in Section 1.3, it states "the Parties agree to develop objective criteria for the assignment of proposed new standards.....". Additionally, in Section 2.4, "the JIC will recommend whether a particular standard should be developed by NERC or by NAESB....".

Section 2.5 states that the "JIC shall evaluate all new proposed standards based on a set of objective criteria that will provide guidance to the members of the JIC in determining whether the proposal should be submitted to either NAESB or NERC for further development."

In summary, the MOU must be perfectly clear in its intent that it will not usurp the NERC Reliability Standards Process Manual. I do not see how the NERC Board of Trustees could sign a MOU which negated anything in the Manual.

(2) The second area of concern is found in Section 3, "Filings With Governmental Authorities". The current wording states:

"Each Party shall be responsible for making the appropriate filings of the standards that it develops with governmental authorities". This wording appears to "require" each party to file standards with governmental authorities.'

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On Page 25 of the NERC Reliability Standards Process Manual, it states:

“At the discretion of the Board of Trustees, adopted Reliability Standards may be filed with applicable regulatory agencies in the United States, Canada, and Mexico”.

In summary, the MOU should be changed to take away the appearance of mandatory filing. I recommend that it read as follows:

“3.1 Each Party shall have the discretion as to whether or not to file the standards that it develops with the appropriate governmental authorities.”

(3) The third area of concern we would like to comment on is the tenor of the MOU regarding “Reliability Standards”.

In the first “Whereas” of the MOU, it states:

“Whereas, 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;” (emphasis added).

In the second “Whereas”, it states:

“Whereas, NERC is the primary industry organization for developing and encouraging compliance with rules for reliable operation of the bulk electric systems serving North America”

Missing in this second “Whereas” is the fact that NERC will develop “Reliability Standards”. We feel that this must be inserted here.

Section 1.2 of the MOU has a statement in it regarding “work toward the development of ‘standards for the industry’ and avoid characterizing standards....” Again, this is in direct contradiction to NERC’s mission. **The language of the entire paragraph needs to be removed from the MOU.**

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Section 2 – “**Joint Standards Development Process**” needs to be renamed, “Joint Standards Development Coordination Process”. Nowhere in this section does it speak of a joint standards development process. This is not the intent of the MOU. The intent is “coordination”.

We appreciate the opportunity to provide our comments.

Sincerely,

A handwritten signature in black ink that reads "Ken". The signature is fluid and cursive, with a long horizontal stroke at the end.

KEN WILEY
President and CEO

KW/ab

c: Mr. Mike Gent
Mr. Tim Gallagher
Mr. Glenn Ross