



1515 BROADWAY, NEW YORK, NY 10036-8901 TELEPHONE: (212) 840-1070 FAX: (212) 302-2782

NPCC Comments on the 10/15/02 Draft NERC-NAESB Memorandum of Understanding

General Comments

Clearly defined, regionally specific electric reliability standards are the foundation for the development of sound business practices. These standards are developed through a programmatic, engineering design basis approach. Once established, reliability objectives may be achieved through the use of market mechanisms whenever possible. If market solutions are unavailable or fail to achieve the desired objective, an appropriate reliability safety net (backstop) must exist to protect the international, interconnected bulk power supply system.

Specific Recommendations:

1. Lines 11 & 12 – Replace existing text with the following: “Whereas NERC, in concert with the Regional Reliability Councils, is the primary industry organization for developing standards for the reliable operation of the interconnected bulk electric systems serving North America and for monitoring and enforcing compliance with those reliability standards;”
2. Line 13 & 14 – Replace existing text with the following: “Whereas the parties agree to enable and encourage market solutions to the maximum extent possible to achieve established reliability objectives throughout North America;”
3. Line 17 – Replace existing text with the following: “Whereas standards may have both commercial and reliability implications and may range...”
4. Lines 19 & 20 – Replace existing text with the following: “Whereas the parties agree that a coordination process should be developed to ensure that business practices and reliability standards are harmonized to the extent that the security

and integrity of the bulk power system is maintained and undue barriers to commercial activities are not created, and that every....”

5. Insert after Line 21 – “Whereas the parties agree that business practices will accommodate backstop reliability procedures to maintain the security and integrity of the bulk power system if market mechanisms are inadequate;”
6. Line 23 – Remove the following word from existing text: “necessary”
7. Lines 39 thru 50 – Replace existing text with the following: “The parties recognize that standards may have both commercial and reliability implications. Accordingly, the JIC will evaluate each proposed new standard and provide non-binding recommendations to both NERC and NAESB as to which organization should develop the proposed standard. The JIC may also recognize that there may be instances where a standard is best developed with the direct input of both organizations and that there may be instances in which the FERC, or some other regulatory body, might specifically direct NERC or NAESB to develop a standard.”
8. Lines 52 & 53 - Replace the existing text with the following: “Prior to the start date, the Parties agree to develop objective criteria for recommendations regarding proposed new standards and to appoint members....”
9. Line 61 – Replace the existing text with the following: “The JIC will function as the coordinator between the NERC SAC and the NAESB WEQ EC.”
10. Line 64 – Delete from the existing text: “with every effort to have each segment represented.”
11. Lines 77 & 78 – Replace existing text with the following: “ranging from predominantly reliability to predominantly commercial.”
12. Lines 81 thru 87 – Replace the existing text with the following: “Following consideration of the JIC’s recommendations, each party shall notify the other party as to whether it concurs or disagrees. Instances of disagreement may be addressed by the respective organizational Boards.”
13. Lines 92 thru 100 – Consistent with comment number 12, delete existing text

October 23, 2002