

Comments Received by Calpine

Having quickly reviewed the DRAFT MOU document, I have the following issues I would like to raise for the group's discussion this morning (11AM EST):

1. I am not comfortable with the designation of the respective organization's Chairmen (or NERC Board of Trustee designee) as the tie-breaker for JIC actions. These persons are not likely in every case to have an in depth knowledge of the discussions or the technical and/or commercial issues surrounding a tie vote situation in the JIC.

ALTERNATIVE SUGGESTION: Have each organization with a 49.5% vote and include a 1% vote for FERC Staff. Ask FERC to make one staff person available to participate on the JIC. This person may vote or not, as they choose, whenever the vote results in a clear majority for disposition of a proposed standard; but MUST vote whenever the vote results in a tie after tally of NERC and NAESB representatives. The FERC attendee will then be obligated to vote thereby sending the proposed standard to one group or the other for drafting. This provides both an objective party and one who, by virtue of their participation, is cognizant of the details associated with the issue being voted.

2. Once a proposed standard is remanded to a standards body, it becomes that body's responsibility to draft and file with the participation of the industry stakeholders in accordance with the ANSI-Approved process. Historically, NERC has not paid heed to the real commercial ramifications of Reliability Standards. For example: even though the obligation of a generator to provide voltage support is clearly a reliability issue, in the past NERC has refused to include a requirement in their standard that any generator who provides such a "product" must be compensated for same. The result has been that regulated and/or affiliated generation has recovered their costs (and margin) of providing the product through their currently existing regulated return of costs and rate of return, while independent generators have been coerced to provide the service (usually as a term of interconnection) with no ability to recover either cost or margin.

ALTERNATIVE SUGGESTION: Include in the MOU the explicit requirement that regardless of the standard drafting responsibility designation, all standards must include the concept of fair compensation for products and/or services rendered.

I look forward to our discussion. I am copying NAESB on this message in hopes that these comments will be forwarded to the MOU negotiating team and be posted as appropriate on their web site.

Dave McMillan