



November 4, 2002

Ms. Rae McQuade
Executive Director
NAESB
1100 Louisiana, Suite 3625
Houston, TX 77002

Re: NAESB-NERC Draft MOU (10-31-02)

Dear Ms. McQuade:

Below are my comments regarding the NAESB-NERC Draft MOU dated 10-31-02:

Suggestion 1. Rewrite the whereas paragraph beginning on line 17 to read as follows:

Whereas most standards have both business and reliability implications and range along a continuum from “predominantly reliability” in nature to “predominantly business” in nature, regardless of which organization ultimately drafts a standard, any standard dealing with reliability or business and communication practices, that provides for the mandatory provision of products, services, or the implementation of operational practice shall acknowledge and address fair compensation for such products, services and operational practices.

The suggested change to this paragraph incorporates language proffered by Calpine’s Dave McMillan to recognize the cost component (and hence commercial implication) of reliability. Further if the MOU is going to rely on NERC’s Functional Model as a guideline for allocating a proposed standard to either NERC or NAESB, it’s imperative that the cost component be kept in play.

Suggestion 2. Rewrite Paragraph 2.3

If the size of the JIC is going to be limited (which I believe it should), then in order to conduct business, all members need to participate. This is to ensure that the interests of all parties (segments) are represented. A decision regarding standards allocation should not be made without representation of all the affected parties. With that said, I propose the following re-write of paragraph 2.3:

Decisions of the JIC will be by a majority vote, with each NERC representative present at a meeting having a vote equal to 50% divided by the number of NERC JIC representatives and each NAESB representative having a vote equal to 50% divided by the number of NAESB JIC representatives. In addition, a majority vote of the NAESB representatives and a majority vote of the NERC representatives must be obtained in order for a decision to pass. Appendix C to this MOU contains illustrative examples of this voting allocation. In the event of a tie vote, the matter will be referred to a “Resolution Committee”, comprised of an equal number of NAESB WEQ Board members and NERC Board members, which will break the tie.

Suggestion 3. Rewrite Paragraph 2.8

The determination of the JIC becomes final after thirty days, unless within that thirty-day period, either Party acts to reject the determination and seeks rehearing before the “Resolution Committee”.

Suggestion 4. Edit to line 148

Replace 2.5 in line 148 with 2.4. I believe paragraph 2.4 is the proper reference.

Suggestion 5. Edit to line 149

Replace the words “are based upon” with “incorporate”. The suggested change appropriately places less emphasis on the Functional Model as the “line in the sand”.

Suggestion 6. Edit to line 158

I propose that the following sentences be inserted after the last sentence on line 158.

However, it is recognized by both organizations that many business practices and communication protocols impact reliability. As such, it is recognized that standard development proposals applicable to the aforementioned functions must acknowledge and address these impacts and will not automatically be assigned to NAESB.

The purpose of the suggestion change is to offset the potential limiting nature of using the Functional Model as a guideline for assigning the standards.

Suggestion 7. Edit on line 165

I propose that the following sentences be inserted after the last sentence on line 165.

However, it is recognized by both organizations that most reliability standards have commercial implications. As such, it is recognized that standard development proposals applicable to the aforementioned functions must acknowledge and address these implications and will not automatically be assigned to NERC.

The purpose of the suggestion change is to offset the potential limiting nature of using the Functional Model as a guideline for assigning the standards.

Suggestion 8. Edit to Appendix C

The following changes would be required to align this appendix with the edits suggested under Suggestion 2:

Example 1:

3. ...When the votes are cast on an issue, the percentages cast are totaled. If the votes in favor of an issue exceed 50%, the issue is considered adopted, as long as the percentage cast by the NAESB JIC members exceeds 25% **and** the percentage cast by the NERC JIC members exceeds 25%.

Example 2:

3. Because only three NAESB JIC members are in attendance in this example, the NAESB group will only have 30% (3 representatives times 10% = 30%) of the vote. Because only 5 NERC JIC members are in attendance in this example, the NERC group will only have 27.5% of the vote (5 representatives times 5.55%=27.75%). When the votes are cast on an issue, the percentages cast are totaled. If the votes in favor of an issue exceed 50% the issue is considered adopted, as long as the percentage cast by the NAESB JIC members exceeds 25% **and** the percentage cast by the NERC JIC members exceeds 25%.

Thank you for the opportunity to comment.

Alan R. Johnson
Sr. Policy Analyst