NORTH AMERICAN ELECTRIC RELIABILITY COUNCIL

Princeton Forrestal Village, 116-390 Village Boulevard, Princeton, New Jersey 08540-5731

NERC-NAESB Joint Interface Committee Meeting

March 21, 2003
9 a.m.–3 p.m. EST
EEI Offices
Washington, DC

Agenda

1. Welcome
    a. Introductions
    b. Antitrust statement
    c. Agenda approval
    d. Process for approving meeting minutes
    e. Voting procedures review

2. Review of the NERC-NAESB-RTO MOU (M. Desselle)

3. Status reports on implementation of Annual Plans
    a. NAESB (M. Desselle)
    b. NERC (R. Bittle)

4. Review proposals for Reliability Standards and Business Practice Standards (Action)
    a. Review NERC proposal for new Reliability Standard
        i. "Determine Facility Ratings, System Operating Limits, and Transfer Capabilities"
    b. Review two NAESB proposals for Business Practice Standards
        i. "Inadvertent Interchange Payback"
        ii. "Funds Transfer Agent Agreement"

5. Future Meetings

6. Adjourn

Background Information for item 1

The minutes of the January 10, 2003 meeting are attached for information. The signed NERC-NAESB Memorandum of Understanding, which outlines the duties and procedures of the JIC, as attached.

Background Information for item 2

NAESB and NERC are already signatories to a Memorandum of Understanding, which outlines the coordination that will take place between the two organizations to avoid duplication of effort in the development of reliability standards and business practices. Negotiations are currently underway to add an RTO Council as a third signatory to this agreement and to amend the makeup of the Joint Interface Committee.

Recent developments in the drafting of the amended MOU will be discussed at the meeting.

Attachment: Draft amended NERC-NAESB MOU (February 28 version).

Action: None

Background Information for 4 a.i.

The Standards Authorization Request presented below has completed its industry review and the NERC Standards Authorization Committee has approved its standards drafting. Consistent with the provisions of the NERC-NAESB MOU, this request is being submitted to the JIC for consideration and assignment to either the NAESB or NERC process for standards drafting.

Purpose of this Standard Authorization Request (SAR)
The purpose of this SAR is to determine Facility Ratings, System Operating Limits, and Transfer Capabilities necessary to plan and operate the bulk electric system within predefined facility and operating limits such that cascading outages, uncontrolled system separation, and voltage and transient instability are avoided.

History

- The Determine Facility Ratings, System Operating Limits and Transfer Capabilities SAR was submitted by the requestor, Jim Byrd, on March 20, 2002. The SAR was subsequently posted for two additional comment periods.

- The Interim SAC accepted the SAR for posting on March 20, 2002 and appointed a SAR Drafting Team (SARDT) to work with the requestor (Walter Johnson, on behalf of Jim Byrd) in refining the SAR.

Reaching Consensus on the Need for the Proposed Standard
Industry consensus on the need for this proposed standard was established through comments received on the original posting of the SAR. Forty-eight commenters responding to the initial posting of the SAR indicated that this proposed standard is needed for reliability reasons, while only four felt it was not.

Reaching Consensus on the Scope of the Proposed Standard
The SAR was posted for three separate public comment periods:

- December 13, 2002 — January 31, 2003
- September 24, 2002 — October 25, 2002
- April 2, 2002 — May 3, 2002

Following each posting, the SARDT met and considered the comments submitted by industry participants. After each meeting, the SARDT:

- Posted their consideration of industry comments
- Posted the revised SAR
- Posted a special SAR comment form designed to capture additional information on the need for additional changes to the SAR

While there have been many minor changes to the original SAR to ensure that its purpose and intent is clearly understood, the most significant changes to the SAR were:

1. The SAR **does not deal** with Available Transfer Capability (ATC), Capacity Benefit Margin (CBM), or Transmission Reliability Margin (TRM). ATC and its margins were identified as items that may be more commercial-based than reliability-based.

2. The SAR requires that the method used to determine Facility Ratings be documented and disclosed, but it **does not** require that a single methodology be used by all facility owners.
3. Facility Ratings are the responsibility of the facility owner.
4. WECC and NPCC requested Regional differences. NPCC has more stringent criteria for determining system operating limits and transfer capabilities (i.e., stuck breaker, double-circuit tower contingencies). WECC requested that components of its current reliability management system be recognized in the SAR.

All of the above modifications were made after specifically questioning the industry. Clear consensus of commenters drove the modifications to the SAR.

At each posting of the SAR for industry comment, a significant number of comments were received in support of splitting this SAR into three pieces. After consultation with the requestor, the SAR will not be split, but a provision will be included to allow for the standard drafting team to split the SAR into three standards if this is deemed appropriate. The SARDT struggled with the idea of splitting the SAR into pieces from the start. The SARDT agrees with the reasons submitted by commenters for splitting the SAR into three pieces because it contains three distinct pieces that while related, are different enough to require separate standards. On the other hand, the reasons for leaving the SAR as it is center around the interdependency of each piece. For instance, there can be no System Operating Limit determination without facility ratings, or any Transfer Capabilities without System Operating Limits. Splitting the SAR prior to moving into standards drafting may result in three separate drafting teams. To have the SAR or standard developed by three different teams working in parallel may result in a loss of coordination among these integrated parts and this may pose a serious problem, as this particular SAR has ramifications for both operators and planners. Much of the confusion expressed by commenters should diminish when the standard is written, as it will have separate requirements and measurements for each of the three pieces listed by the commenter. In addition, the standards will be in both a rulebook and relational database form for easy reference. On balance, therefore, the SARDT and requestor will not split the SAR, but will leave this option open for the standards drafting team.

The Determine Facility Ratings, System Operating Limits, and Transfer Capabilities SARDT has refined the SAR so that industry consensus has been reached on the need for the proposed standard and also on the scope of the standard. The SARDT feels that additional work on refining this SAR will not make a significant improvement in the level of industry consensus.

The NERC Standards Authorization Committee (SAC) reviewed the evolution and final state of the SAR, comments received from the industry, and the manner in which these comments were addressed, and authorized it for standards development on February 27, 2003.

Minority Opinions

1. The Standard should address ATC and its related margins.
2. The Standard should require the use of a single methodology for the determination of facility ratings.
3. The Standard should not require that a ratings methodology be developed or disclosed.
4. The Standard should permit transmission owners to manage risk on their systems. Cascading outages that occur only within a single transmission provider or group of cooperating transmission owners should be permitted.

JIC members may review the evolution of this SAR and all industry comments and the associated responses by visiting: http://www.nerc.com/~filez/sar-approved.html

Attachment: Determine Facility Ratings, System Operating Limits, and Transfer Capabilities SAR

Action: Review and assign to either NERC or NAESB for standards development

Background for Item 4 b i

A request for initiation of a NAESB Standard for indavertent interchange payback attached to this agenda has been reviewed by the NAESB Wholesale Electric Quadrant Market Operations Subcommittee and Indavertent Interchange Payback Task Force and approved for standards drafting. Consistent with the provisions of the NERC-NAESB MOU, this request is being submitted to the JIC for consideration and assignment to either the NAESB or NERC process for standards drafting.

The standard or standards will define the alternatives that may be used to settle Inadvertent Interchange while mitigating the potential financial gains that misuse of the current payback-in-kind methodology fails to prevent. The work of the NERC Joint Inadvertent Interchange Task Force will be used as the initial model for development and enhancement of the required standard or standards that may include energy transmission and frequency components of Inadvertent Interchange.

Inadvertent interchange payback is an issue that was identified as a business practice via industry comment during the development of the "Balance Resources and Demand" standards authorization request in the NERC standards development process. NERC subsequently referred inadvertent interchange payback to NAESB for development.

Attachment: Request to Initiate a NAESB Standard for Inadvertent Interchange Payback

Action: Review and assign to either NERC or NAESB for standards development

Background for Item 4 b ii

The "Request to Enhance a NAESB Standard to expand the Funds Transfer Agent Agreement" to include electricity transactions to support retail energy provider supply requirements and wholesale power transactions is attached to this agenda. Consistent with the provisions of the NERC-NAESB MOU, this request is being submitted to the JIC for consideration and assignment to either the NAESB or NERC process for standards drafting.

Attachment: Request to Enhance existing NAESB Standard for Funds Transfer Agent Agreement

Action: Review and assign to either NERC or NAESB for standards development

NORTH AMERICAN ELECTRIC RELIABILITY COUNCIL

Princeton Forrestal Village, 116-390 Village Boulevard, Princeton, New Jersey 08540-5731

NAESB-NERC Joint Interface Committee

January 10, 2003 — 9 a.m.–3 p.m.
Airport Marriott
Tampa, Florida

Meeting Minutes

Attendance

NAESB Members:
Michael Desselle
Steven Corneli
David McMillan
Dale Landgren
Charles Yeung
John A. Anderson
Alex DeBoissiere

NERC Members:
Ricky Bittle
Walter Johnson
Sam R. Jones
Edward Schwerdt
Ronald Threlkeld
Mark Fidrych

NAESB Alternates:
Barry Green
Robert Goss
Edward Davis
Gary L. Jackson
Mary Ellen Paravalos (phone)
Alan Johnson (phone)
Andy Dotterweich
Jim Templeton

NERC Alternates:
Linda Campbell

Secretary:
Tim Gallagher

Guests:
Rae McQuade, NAESB
Bill Boswell, NAESB
Glenn Ross, Dominion
David Cook, NERC
Steve Wallace, Seminole Electric Cooperative
Jim Buccigross, 8760
Joelle Ogg, John & Hengerer (Anti-trust Attorney)
Julie Cox (Transcriber)
Jeff Mueller, PSE&G
Lane Mahaffey, Seminole Electric Cooperative
Joe Welborn, Seminole Electric Cooperative
Cecilia Liang-Nicol, Allegheny Energy Supply

1. All present were introduced. Mr. Boswell welcomed the group. Transcripts will be kept of JIC meetings and a transcriber attended this meeting. Joelle Ogg, counsel with John and Hengerer, served as anti-trust counsel for the meeting and reviewed the anti-trust guidelines.

2. Michael Desselle and Glenn Ross presented the NAESB-NERC Memorandum of Understanding (MOU) to the group, including its formation. The JIC was created as a result of the MOU.
    a. The role of the JIC, which is to review proposals for standards received by NAESB and NERC and to determine in which organization's process these standards are most appropriately developed, was presented and discussed.
    b. The MOU is a living document; experience gained in its implementation may lead to MOU modifications in the future.
    c. Section 2.8 of the MOU states that JIC determinations may be overturned by NERC or NAESB within 30 days. It is hoped that this clause will not often be exercised.
    d. It is not envisioned that NERC or NAESB will endorse or ratify reliability standards or business practices developed by the other organization. The MOU assumes that both processes are valid. Either organization has the opportunity to fully participate in the development of reliability standards and business practices once they have been assigned.
    e. It is anticipated that standards proposals that are submitted to the JIC will be specific enough and include enough detail to enable the JIC to weigh their commercial and reliability consequences so as to avoid the need to split a standard into two pieces to be developed by both organizations. The JIC's focus is to make a determination of where to develop the proposal and not to parse it.

3. Michael Desselle and Ricky Bittle were appointed by the boards of NAESB and NERC, respectively, as JIC co-chairs for 2003. JIC co-chair is a voting position.

4. Michael Desselle presented appendix A of the MOU for group discussion. This Appendix is intended to serve as a guideline or starting point for the JIC in making its determinations for assignment of standards development and is not intended to be all-inclusive or constraining.

5. Sections 2.2–2.3 and Appendix C of the MOU contain the voting procedures that will be used by the JIC. Each organization receives 50% of the vote, which is divided equally among the members present at each meeting. No notational ballots or proxies will be permitted. Alternates will vote if the primary representative is absent. Participation and vote by conference call is acceptable. A simple majority is needed for a final decision. In the event of a tie, the chairmen of NAESB and NERC will resolve it. A majority of NERC and NAESB members must be present for a quorum.

6. NAESB JIC alternates have been appointed. NERC alternates have not yet been appointed.

7. Walter Johnson presented two proposals for reliability standards to the JIC that were submitted into the NERC process. The scopes for both have been through multiple rounds of industry comment and have been authorized to move into standards drafting by NERC's Standards Authorization Committee (SAC).
    a. Balance Resources and Demand
        1. The purpose of this proposed reliability standard is to maintain system frequency and thus the reliability of the interconnected electric grid. In the process of developing this request for a standard, some business practices were identified and removed in consideration of industry comments. An example of this is inadvertent

energy payback, which is not included in this standard request and has been referred to NAESB and included in their 2003 annual plan.

The proposal does not dictate how to balance resources and demand, but rather requires that it be accomplished.

Sam Jones made a motion to assign development of this reliability standard proposal to the NERC process, seconded by Steve Corneli.

Discussion — the following comments were made:

- There are commercial impacts associated with this standard and those who cooperate in maintaining the balance of resources and demand must be compensated. (Some felt that such compensation is neither a NERC nor a NAESB issue and should instead be addressed by FERC).
- The specific actions taken by balancing authorities to balance resources and demand must not be prescribed by this standard.
- The standard should not exclude any options available to achieve a balance between resources and demand (including interruptible loads, for instance).
- The JIC should not be directing the actions of standards drafters; the JIC should only determine which process (NERC or NAESB) should be used to develop the standard.
- A list of minority opinions/unresolved issues raised during the NERC and NAESB comment periods should be included in the JIC background materials for each standards proposal.

A vote on Mr. Jones' motion was conducted. The motion to assign development of this standard to NERC passed by unanimous vote of the 8 NAESB representatives (Andy Dotterweich cast a vote as the alternate for Syd Berwager, who was not in attendance) and a unanimous vote of the 6 NERC representatives.

b. Operate Within Limits — Monitor and Assess Short-term Transmission Limits

1. This proposal does not set transmission system limits, as this will be handled in another SAR, but rather requires that transmission limits be honored. Responsible entities must be able to monitor the limits and provide and perform corrective actions if limits are exceeded. The standard proposal does not prescribe what the corrective actions must be.

   Walter Johnson made a motion to assign development of this reliability standard proposal to the NERC process, seconded by John Anderson.

   Discussion — the following comments were made:

   - How does this SAR fit in with another one to manage congestion? Are the corrective actions intended as congestion management? This should not be the primary method for mitigating congestion.
   - The corrective actions are not dictated in the standard and are not specified as congestion management.

- This standard also has commercial implications, for example it might make generators run out of merit. There is concern that some may use the standard as an excuse for unfair practices.

A vote on Mr. Johnson's motion was conducted. The motion to assign development of this standard to NERC passed by unanimous vote of the 8 NAESB representatives (Andy Dotterweich cast a vote as the alternate for Syd Berwager, who was not in attendance) and a unanimous vote of the 6 NERC representatives.

8. There was discussion regarding what actions the JIC can take after evaluating a proposal for a standard. The following conclusions were reached:
    a. The JIC must either assign the standard to NAESB or NERC for development or remand the proposal to its initiator for further information.
    b. JIC comments on the content of the proposed standard are a matter of record. Meeting transcripts can be accessed so that comments can be reviewed by anyone, including the drafters of the standards.

9. Sharing of Annual plans
    a. Michael Desselle and Steve Corneli presented the 2003 NAESB annual plan to the group. Every effort will be made to coordinate the NAESB and NERC annual plans. This is the first annual plan developed for the Wholesale Electric Quadrant (WEQ). All items on the plan will eventually be submitted to the JIC for evaluation, but the point at which this will occur has not been finalized yet.
        1. Dave McMillan is working with a NAESB group to re-write their procedures to allow for a step between the annual plan and the drafting of the standard. This modification will aid the JIC in making determinations at the appropriate time. This effort should conclude in the next 30-60 days.
    b. Ricky Bittle presented the 2003 NERC annual plan for the development of reliability standards. Mr. Bittle explained that the annual plan was developed prior to the signing of the MOU. Proposals for reliability standards will be submitted to the JIC after they have been reviewed by the industry and approved by the SAC, consistent with the MOU.

10. Future meetings
    a. The next JIC meeting will be held on March 21 in Washington, DC.

Memorandum of Understanding between
North American Energy Standards Board and North American Electric Reliability Council

This Memorandum of Understanding ("MOU") is entered into this 30th day of November, 2002, between the North American Energy Standards Board ("NAESB") and the North American Electric Reliability Council ("NERC") (collectively, "Parties").

Whereas NAESB is the primary industry forum for development and promotion of business practice and electronic communication standards in North American wholesale and retail natural gas and electricity markets;

Whereas NERC is the primary industry organization for developing reliability standards for the reliable operation and planning of the bulk electric systems serving North America;

Whereas the Parties agree that there is a need to develop and maintain standards to enhance energy markets and maintain reliability throughout North America;

Whereas the Federal Energy Regulatory Commission ("FERC") has "strongly urged" the Parties to coordinate their standards development efforts;

Whereas most standards have both business and reliability implications and range along a continuum from "predominantly reliability" in nature to "predominantly business" in nature;

Whereas the Parties agree that a coordination process should be developed between the Parties to ensure that business practice and reliability standards are harmonized and that every practicable effort is made to eliminate overlap and duplication of efforts;

Whereas, the Parties agree that the coordination that takes place under this MOU should not delay the development of standards;

Whereas, the Parties shall not be obliged to change their existing standards approval processes, but the parties agree it would be beneficial to keep an open mind for future changes to

be considered that would improve the processes and achieve the goals contained within this MOU; and,

Whereas, the Parties intend this MOU to be a living document and recognize that the coordination procedures detailed in this MOU are likely to require revision as the Parties gain experience working under these procedures,

Now therefore, the Parties agree as follows:

1. Purpose and Principles of Agreement

1.1 The Parties propose to establish a coordination process set forth in Section 2 of this MOU. The coordination process is intended to produce reliability standards and business practice standards as efficiently as possible. The coordination process will accomplish this primarily through the creation of the Joint Interface Committee ("JIC") comprised of representative members of NERC and NAESB. The creation of the JIC is not intended to create delay in standards development, but to facilitate efficient standards development and avoid duplication of effort between the Parties.

1.2 The Parties recognize that most standards have both reliability and business standards and communication protocols implications. Accordingly, the JIC will evaluate each standard development proposal[1] with this recognition in mind to determine whether NAESB or NERC should develop the proposed standard.[2]

[1] The JIC is not limited to new standards but can receive existing proposed standards referred to it by either Party.
[2] While the JIC will evaluate the disposition of standards with the recognition that most standards have both reliability and business standards and communication protocols implications, the intent of NERC and NAESB (through the JIC) is that the coordination process should work toward the development of "standards for the industry" and avoid characterizing standards, wherever possible.

1.3 The Parties intend to have the coordination process set forth in Section 2 of the MOU in full operation by January 1, 2003. The Parties may mutually agree to move the start date for the coordination process.

2. Coordination Process

2.1 The Parties agree to establish a coordination process, as set forth in this section, for coordinating the development of proposed standards, in accordance with the principles in Section 1 of this MOU.

2.2 The JIC shall be responsible for the coordination process. The JIC shall be composed of representatives from NERC holding 50 % of the votes and representatives from NAESB WEQ holding 50 % of the votes. Each Party will determine its representatives to the JIC, with every effort to have each segment represented. The quorum necessary for the transaction of business at meetings of the JIC shall be both a majority of the NERC representatives and a majority of the NAESB representatives. Any or all members of the JIC may participate in a meeting, including being counted as part of the quorum, by means of a communication system by which all persons participating in the meeting are able to hear each other. Use of notational balloting or proxies will not be permitted. NERC and NAESB will separately determine whether designated alternates will be permitted to participate in place of their absent JIC representatives. The JIC will have co-chairs, one representing NERC and one representing NAESB, chosen by each Party from among its JIC representatives.

2.3 Decisions of the JIC will be by a simple majority vote, with each NERC representative present at a meeting having a vote equal to 50% divided by the number of NERC representatives participating in the meeting and each NAESB representative having a vote equal

to 50% divided by the number of NAESB representatives participating in the meeting. 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 the Chairmen of the Parties [or their Board level designee(s)] for resolution.

2.4 The JIC will meet as necessary to review each Standards Authorization Request ("SAR") that the Standards Authorization Committee ("SAC") of NERC has approved for the drafting of a standard and each standard request that the NAESB Executive Committee ("EC") has assigned to the Wholesale Electric Quadrant ("WEQ") of NAESB. The JIC will determine whether a particular standard should be developed by NERC or by NAESB, based upon the coordination guidelines in Appendix A of this MOU, as they may be revised from time to time.

2.5 The JIC will make its determination on each standard development proposal by the end of the month subsequent to the month in which the standard development proposal is referred to the JIC. The JIC may prioritize submitted proposals if there are urgent reliability or business implications.

2.6 Once the JIC has assigned a standard development proposal to one of the Parties, that Party will then develop the proposed standard through its existing standards development process. The other Party shall assume an advisory-only role, although its members and constituents are strongly encouraged to actively participate in the development process by participating in subcommittee, task force and working group deliberations as well as offering comments and recommendations on any and all aspects of the proposed standard.

2.7 All interested individuals and entities are invited and encouraged to participate to the maximum extent possible consistent with membership or registration requirements in NERC

and NAESB standards development activity. Neither organization places any membership or registration requirement on the submission of comments on draft proposed standards.

2.8 Either the determination of the JIC or the resolution reached in the event of a tie vote becomes final after thirty days unless, within that thirty-day period, either Party acts to withdraw the proposal. In this event, the proposal may be redrafted and resubmitted to the JIC or the Parties shall meet to attempt to resolve the impasse. Should further consideration not result in a final determination, either party may act consistent with its own standards development process.

3. Filings With Governmental Authorities

3.1 Each Party shall be responsible for making filings with governmental authorities of the standards that it develops, as appropriate.

3.2 All filings must include, verbatim, any comments submitted by the Party that did not develop the standard, as well as the comments of other interested parties.

4. Information Exchange

4.1 NERC will inform NAESB each year of its projected standards development activity for the coming year and of any additional planned activity as it arises. NAESB will inform NERC of the WEQ annual plan each year and of any amendments to the WEQ annual plan as they arise. After exchange of this information, the Parties agree to meet to address any apparent areas of duplicate effort as soon as practical.

4.2 With respect to each particular request for a standard or standard development action, each Party will promptly inform the other of the action, or the request in sufficient detail

to convey the subject matter and timeline for resolution of such action or request. See Appendix B.

5. Costs

5.1 Each Party shall bear its own costs.

6. Reevaluation

6.1 The Parties agree to meet annually during the anniversary month of the signing of this MOU to evaluate in good faith the effectiveness and efficiency of this MOU in meeting the goal of coordinating the standards development activity of the two organizations and to make any appropriate revisions.

6.2 The Parties may also agree to revise this MOU, including the appendices, at any other time as mutually agreeable.

7. Termination

7.1 Either Party may withdraw from this MOU upon 60 days' written notice to the other Party and to the FERC or other appropriate jurisdictional regulatory authorities. Prior to the withdrawal becoming effective, the Parties agree to meet to discuss whether changes to this MOU would address the reasons prompting the withdrawal.

8. Miscellaneous

8.1 This MOU constitutes the entire agreement between the Parties with respect to establishing a coordination standards development process for new proposed wholesale electric

industry standards and supersedes all prior understandings, proposals, negotiations and communications, oral or written, between the parties or their representatives with respect to such subject matter.

8.2 This MOU may be executed in counterparts each of which shall be deemed an original and all of which together shall constitute one instrument.

8.3 Neither Party shall be liable for any indirect, special, incidental or consequential damages arising in any way from any performance or failure to perform under this MOU.

8.4 The Parties agree that they will create a process whereby the notice of JIC activities and documents are posted on a web site for public access.

AGREED TO this 30th day of November, 2002.

NORTH AMERICAN ENERGY STANDARDS BOARD

By: _____

NORTH AMERICAN ELECTRIC RELIABILITY COUNCIL

By: _____

APPENDIX A

JIC Coordination Guidelines

The coordination guidelines for use by the JIC as a starting point, under paragraph 2.4 of the NERC-NAESB MOU, are based in part upon NERC's Functional Model[3] and in part upon market criteria developed by NAESB. Once the JIC convenes and as it gains more experience alternative coordination guidelines may be developed and used as the JIC sees fit.

In general, the functions identified in the functional model diagrams as "generator" (whether merchant or load-affiliated), "purchasing-selling entity," "load-serving entity," "market operator," "customer aggregator," and certain of the relationships and information flows of "transmission service provider," "transmission owner," and "transmission operator" are associated with how wholesale electric business practices and electronic communication protocols are developed for use by market participants. Additionally, market criteria such as product or service definitions, specifications, and compensation; prerequisites for participation in market and identification of costs and funding obligations; arrangements for product and service delivery to customers; creditworthiness requirements; related market design issues; market settlement practices; and communication protocols in support of market criteria should be considered. Standard development proposals applicable to those functions and to the relationships and information flows among those functions normally would be assigned to NAESB, regardless of where the original request for the standard was filed.

In general, the functions identified in the functional model diagrams as "reliability authority," "balancing authority," "interchange authority," "compliance monitor," "NERC," and certain of the relationships and information flows of "transmission service provider," "transmission owner," and "transmission operator" are associated with the reliable operation of the bulk power system. Standard development proposals applicable to those functions and to the relationships and information flows among those functions normally would be assigned to NERC, regardless of where the original request for the standard was filed.

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[3] A PowerPoint display of NERC's Functional Model may be downloaded at http://www.nerc.com/~filez/fmrtg.html. The Functional Model identifies and defines the functions, associated responsibilities, and the relationships and information flows among those functions, that are necessary for electric systems to operate reliably and for participants in wholesale electricity markets to transact business efficiently, independent of which entities perform which functions.

Where a single standard development proposal meets the coordination guidelines for assigning it to either NERC or NAESB, and the proposal is not more properly recast in an alternative format, the JIC should normally assign the proposal to either NERC or NAESB based upon the following factors:

a. Regulatory direction to one organization or the other;
b. The relative portion of the proposal that would be associated with the reliable operation of the bulk power system (NERC) vs. how wholesale electricity business is transacted (NAESB);
c. The priority of the proposal and the ability of either organization to take on and complete the standard development in a timely manner, given its other workload; and
d. Whether the proposal includes a significant reliability compliance element.

APPENDIX B
Current Notification Criteria

NERC	NAESB
a. Receipt of a Standard Authorization Request ("SAR").	a. Decision by NAESB Executive Committee ("EC") to assign a standard request to the WEQ and referral to a subcommittee.
b. SAC reviews standard request.	b. Notify NERC of standard request.
c. Notify NAESB of SAR Posting. Posting of SAR for comment.	c. Standard request forwarded to JIC for review and organization assignment.
d. Authorization by SAC to draft standard.	d. Activities of subcommittee.
e. Standard request forwarded to the JIC for review and organization assignment.	e. Posting of draft standard for public comment.
f. Activities of Standards Drafting Team.	f. Submission of draft standard and public comments to EC.
g. Posting of draft standard for public comment.	g. Decision of EC.
h. Decision that draft standard is ready for ballot.	h. Action by NAESB Board of Directors.
i. Submission of draft standard for ballot.	i. Filing the standard with governmental regulatory authorities.
j. Ballot results.	
k. Action by NERC Board of Trustees.	
l. Filing the standard with governmental authorities.	

APPENDIX C

JIC Voting Examples

(Quorum requirement: Both a majority of the NAESB representatives and a majority of the NERC representatives.)

Example 1:

1. The JIC is composed of: 5 representatives from NAESB
   9 representatives from NERC
2. All JIC members are in attendance at the meeting – quorum requirement is met.
3. Each group gets 50% of the vote, which means that each NAESB JIC member gets 10% of the total vote (5 representatives times 10% = 50%), and each NERC JIC member gets 5.55% of the total vote (9 representatives times 5.55% = 50%). When the votes are cast on an issue, the percentages cast are totaled and if the votes in favor of an issue exceed 50%, the issue is considered adopted.

Example 2:

1. The JIC is composed of: 5 representatives from NAESB
   9 representatives from NERC
2. 3 NAESB JIC members and 5 NERC JIC members are in attendance at the meeting – quorum requirement is met.
3. Each group gets 50% of the vote, which means that each NAESB JIC member gets 16.66% of the total vote (3 representatives times 16.66% = 50%), and each NERC JIC member gets 10% of the total vote (5 representatives times 10% = 50%). When the votes are cast on an issue, the percentages cast are totaled and if the votes in favor of an issue exceed 50%, the issue is considered adopted.

The two examples above illustrate the importance to the organizations for the JIC members to attend the JIC meetings.

Amended and Restated Memorandum of Understanding for the North American Energy Standards Board, North American Electric Reliability Council and the ISO/RTO Council

This Memorandum of Understanding ("MOU") is entered into this ___ day of ____, 2003, between the North American Energy Standards Board ("NAESB") and the North American Electric Reliability Council ("NERC") and the Independent System Operator/Regional Transmission Organization Council ("ISO/RTO Council") (collectively, "Parties").

Whereas NAESB is the primary industry forum for development and promotion of business practice and electronic communication standards in North American wholesale and retail natural gas and electricity markets and its stakeholder-based standards development process is well-suited for the resolution of issues that affect or implicate business practices;

Whereas NERC is the primary industry organization for developing reliability standards for the reliable operation and planning of the bulk electric systems serving North America and NERC as an organization is well-suited for addressing reliability issues related to such standards;

Whereas the ISO/RTO Council is a duly formed organization composed of ISO and RTO chief executive officers, and its Charter has been filed with the Federal Energy Regulatory Commission ("FERC") and other appropriate regulatory authorities in North America;

Whereas each of the Parties has duly authorized its representative to execute this MOU and bind the Organization to abide by the provisions set forth in this MOU;

Whereas the ISO/RTO Council is not a standards development organization, but may participate in standardization activities and existing standards development organizations, including preparing proposed standards for those organizations;

Whereas the Parties understand "policy" in the context of this MOU to mean a definite course of action selected from among alternatives that will guide and determine subsequent material decisions, and also understand "ISO and RTO policy" to mean major market and transmission tariff policies[1] that would normally be proposed and implemented by ISOs and RTOs and which require approval by the FERC or other appropriate regulatory authorities in North America;

[1] In Canada, the more common term for this is market rules.

Whereas NAESB is precluded by its Charter from setting industry policy, NERC is organized to set reliability policy, and individual RTOs and ISOs are organized to operate transmission systems and administer markets;

Whereas individual ISOs and RTOs must, in carrying out their responsibilities, develop ISO and RTO policy proposals and must also, subject to receiving all required and appropriate regulatory approvals, implement such policies;

Whereas the Parties agree that there is a need to develop and maintain standards to enhance electricity markets and maintain reliability throughout North America;

Whereas the Federal Energy Regulatory Commission ("FERC") has "strongly urged" the Parties to coordinate standards development efforts;

Whereas most electric industry standards have both business and reliability implications and range along a continuum from "predominantly reliability" in nature to "predominantly business" in nature;

Whereas the Parties agree that a coordination process should be developed among the Parties to ensure that the development of business practice and reliability standards is coordinated and harmonized with the development, approval and implementation of ISO and RTO policy and that every practicable effort is made to eliminate overlap and duplication of efforts;

Whereas, the FERC Commissioners and Staff have encouraged the Parties to bring the functions previously addressed by the Electronic Scheduling Collaborative ("ESC") and the Oasis Standards Collaborative ("OSC") into the functionally appropriate Party organization, and through that organization into a single process for coordinating standard-setting;

Whereas, the Parties agree that all the current activities of the ESC and OSC should be included in one or several of the Parties' organizations and thus brought into the single standard setting coordination process as defined in this Memorandum of Understanding;

Whereas, the Parties agree that the coordination that takes place under this MOU should not delay the development of standards or the implementation of ISO and RTO policy;

Whereas, the Parties shall not be obliged to change their existing standards approval processes, but the parties agree it would be beneficial to keep an open mind for future changes to be considered that would improve the processes and achieve the goals contained within this MOU; and,

Whereas, the Parties intend this MOU to be a living document and recognize that the coordination procedures detailed in this MOU are likely to require revision as the Parties gain experience working under these procedures,

Now therefore, the Parties agree as follows:

1. Purpose and Principles of Agreement

1.1 The Parties propose to establish a coordination process set forth in Section 2 of this MOU. The coordination process is intended to avoid overlap and duplication of effort in the activities of the three organizations by distinguishing the development, proposal and implementation of ISO and RTO policy from the setting of reliability standards or business practice standards. The coordination process will accomplish this primarily through the Joint Interface Committee ("JIC") comprised of representative members of NERC, NAESB and the ISO/RTO Council. The JIC is not intended to delay standards development or the implementation of ISO and RTO policy, but to facilitate efficient policy implementation and standards development and to avoid duplication of effort between and among the Parties.

1.2 The Parties recognize that many standards have implications that affect aspects of reliability, market administration and transmission system operation, and business standards and communication protocols. Accordingly, the JIC will evaluate each standards development proposal, as well as the annual plans[2] of each organization, in a two-stage process as described in section 2.5 before determining whether NAESB or NERC should develop the proposed standard.[3] [4]

1.3 The Parties intend to have the coordination process set forth in Section 2 of the MOU in full operation by _____, 2003. The Parties may mutually agree to move the start date for the coordination process**.**

[2] The JIC is not limited to new standards or annual plan items, but can receive existing proposed standards or annual plan items referred to it by any Party.

[3] While the JIC will evaluate the disposition of standards with the recognition that most standards have both reliability and business standards and communication protocols implications, the intent of NERC and NAESB (through the JIC) is that the coordination process should work toward the development of "standards for the industry" and avoid characterizing standards, wherever possible.

[4] The Parties expressly agree that reliability and business practice standards that are required for ISO/RTO Council activities would typically be developed by NERC and NAESB, consistent with this MOU.

2. Coordination Process

2.1 The Parties agree to establish a process, as set forth in this section, for coordinating the development of proposed standards, in accordance with the principles in Section 1 of this MOU.

2.2 The JIC shall be responsible for the coordination process. The JIC shall be composed of representatives from NERC holding one-third of the votes, representatives from NAESB WEQ holding one-third of the votes and representatives from the ISO/RTO Council holding one-third of the votes. Each Party will determine its representatives to the JIC, with every effort to have each segment or area represented. The quorum necessary for the transaction of business at meetings of the JIC shall require a majority of the representatives of each of any two Parties. Any or all members of the JIC may participate in a meeting, including being counted as part of the quorum, by means of a communication system by which all persons participating in the meeting are able to hear each other. Use of notational balloting or proxies will not be permitted. NERC, NAESB and the ISO/RTO Council will separately determine whether designated alternates will be permitted to participate in place of their absent JIC representatives. The JIC will have co-chairs, one representing NERC, one representing NAESB, and one representing the ISO/RTO Council chosen by each Party from among its JIC representatives.

2.3 Decisions of the JIC will be by a simple majority of all votes cast, with each NERC representative present at a meeting having a vote equal to 33.3% divided by the number of NERC representatives participating in the meeting, each NAESB representative having a vote equal to 33.3% divided by the number of NAESB representatives participating in the meeting, and each ISO/RTO Council representative having a vote equal to 33.3% divided by the number of ISO/RTO Council representatives participating in the meeting. In the event any Party fails to be represented by at least one representative and quorum requirements are met, the remaining two Parties shall each receive 50% of the vote, to be divided equally among the Party's representatives. In the event of a tie vote, the matter will be referred to the Chairmen of the Parties present for the tie vote [or their Board level designee(s)] for resolution. In the determinations made under Section 2.6, each Party may abstain from voting on any question in which it determines it does not have a material interest**.**

2.4 The JIC will meet as necessary to review the annual plans of each organization. Additionally, the JIC will meet as necessary to review each Standards Authorization Request

("SAR") that the Standards Authorization Committee ("SAC") of NERC has approved for the drafting of a standard, each standard request that the NAESB Executive Committee ("EC") has assigned to the Wholesale Electric Quadrant ("WEQ") of NAESB and each ISO and RTO policy anticipated to be proposed or implemented by the ISO/RTO Council's constituent organizations that may affect business practice standards and reliability standards.

2.5 In the first stage of its process, the JIC will evaluate the annual plans of each Party. If the JIC determines that an annual plan item would establish or require substantial modification to ISO and RTO policy, then standard setting activities associated with the annual plan item would normally be deferred[5] until the FERC or other appropriate regulatory authorities in North America have exercised their authority to determine such policy issues. Once such ISO and RTO policy issues have been resolved, further standards development activity will be coordinated by the JIC according to this MOU. If the JIC does not determine that an annual plan item would establish or require substantial modification to ISO and RTO policy, then the item would continue through the standards development process. If the JIC determines that an aspect of the ISO/RTO Council's annual plans would alter or require new business practice standards, communication protocol standards or reliability standards, those standards development activities would be coordinated by the JIC according to this MOU. The JIC may also recommend that a particular item or aspect of an item in one Party's annual plan be removed from that Party's annual plan and added to another Party's annual plan in order to carry out the purposes of this agreement.

2.6 Once the JIC has made the determinations in section 2.5, the second stage of the process will take place. In this stage the JIC will consider the relationship of each specific standards proposal, including any standards proposals derived from ISO and RTO annual plan items, to the reliability responsibilities of NERC and the business standards and electronic communication protocol responsibilities of NAESB, and will refer the development of the standard as appropriate to the two organizations. In this stage, the JIC may also determine whether a specific standards request proposal would itself primarily establish or substantially modify ISO and RTO policy, in which case standards development may be deferred until the

[5] If the FERC or other appropriate regulatory authorities in North America have already assigned the item to the ISO/RTO Council's constituent organizations for development of a policy proposal, the Parties may await the policy resolution. In the interim while awaiting the policy resolution, the Parties may identify specific standards activity needed to support any proposed policy resolution.

FERC or other appropriate regulatory authorities have determined the resolution of such policy issues. Once the JIC has assigned or referred the standards proposal for further development, the members and constituents of the other organizations are strongly encouraged to actively engage in the development process by participating in subcommittee, task force and working group deliberations as well as offering comments and recommendations on any and all aspects of the proposed standard or policy.

2.7 The JIC will make such determinations by the end of the month subsequent to the month in which the annual plan item, standards request proposal or proposed ISO and RTO policy is referred to the JIC. The JIC may prioritize submitted proposals if there are urgent reliability, business, or policy implications.

2.8 All interested individuals and entities are invited and encouraged to participate to the maximum extent possible consistent with membership or registration requirements in NERC, NAESB and the ISO/RTO Council standards development and policy development activity. None of the organizations places any membership or registration requirement on the submission of comments on draft proposed standards or policy development.

2.9 With respect to the provisions of section 2.6, either the determination of the JIC or the resolution reached in the event of a tie vote will become final after thirty days unless, within that thirty-day period, one of the Parties acts to withdraw a standards request proposal. In this event, the proposal may be redrafted and resubmitted to the JIC or the Parties shall meet to attempt to resolve the impasse. Should further consideration not result in a final determination, each of the parties may act consistent with its own standards development or policy definition process. Likewise, with respect to the provisions of section 2.5, a determination of the JIC or the resolution reached in the event of a tie vote will become final after thirty days unless, within that thirty-day period, one of the Parties disagrees with the determination. In this event, the annual plan item may be redrafted and resubmitted to the JIC or the Parties shall meet to attempt to further resolve the issue. Should further consideration not result in a final determination, each of the parties may act consistent with its own standards development or policy development and implementation process.

2.10 Because the Parties' annual planning processes are iterative and are implemented through or otherwise affect the standards setting processes, the JIC may discuss coordination of ongoing annual plan development and implementation, and each Party, through its JIC members,

may make recommendations regarding other Parties' annual plan development and implementation.

3. Filings With Governmental and Regulatory Authorities

3.1 Each Party shall be responsible for making filings with governmental and regulatory authorities as appropriate**.**

3.2 The Parties agree that all meetings of the JIC will be duly noticed, open and transcribed, and that the JIC's deliberations and all supporting documents, including any minority opinions, will be a matter of public record and may be provided by any Party or any of its members in any filing with governmental authorities of a standard or other issue which the JIC has acted upon.

4. Information Exchange

4.1 Each Party will inform each other party each year of its projected standards development, significant policy development and implementation activities for the coming year and of any additional planned activity as it arises. After exchange of this information, the JIC will meet to address any apparent areas of duplicate or inconsistent effort as soon as practical.

4.2 With respect to each particular initiative regarding an RTO or ISO policy activity, or request for a standard or standard development action, each Party will promptly inform the other Parties of the action, or the request in sufficient detail to convey the subject matter and timeline for resolution of such action or request.

5. Costs

5.1 Each Party shall bear its own costs.

6. Reevaluation

6.1 The Parties agree to meet annually during the anniversary month of the signing of this MOU to evaluate in good faith the effectiveness and efficiency of this MOU in meeting the goal of coordinating the standards and policy development-related activities of the three organizations and to make any appropriate revisions.

6.2 The Parties may also agree to revise this MOU, including the appendices, at any other time as mutually agreeable.

7. Termination

7.1 Each Party may withdraw from this MOU upon 60 days' written notice to the other Parties. Notification of such withdrawal should be provided to the FERC or other appropriate Provincial or state regulatory authorities in North America. Prior to the withdrawal becoming effective, the Parties agree to meet to discuss whether changes to this MOU would address the reasons prompting the withdrawal.

8. Miscellaneous

8.1 Each Party is legally authorized to execute this MOU and to exercise the rights and perform the obligations and responsibilities contained in it.

8.2 This MOU constitutes the entire agreement between the Parties with respect to establishing a coordination process intended to avoid overlap and duplication of effort in the activities of the three organizations by distinguishing ISO and RTO policy-making from the setting of reliability and business practice standards supporting energy markets.

8.3 This MOU may be executed in counterparts each of which shall be deemed an original and all of which together shall constitute one instrument.

8.4 None of the Parties shall be liable for any indirect, special, incidental or consequential damages arising in any way from any performance or failure to perform under this MOU.

8.5 The Parties agree that they will create a process whereby the notice of JIC activities and documents are posted on a web site for public access.

8.6 This is an Amendment and Restatement of the Agreement dated November 30, 2002 between NERC and NAESB.

8.7 Nothing in this Agreement is intended for the benefit of third parties, and no third party may claim for damages or otherwise to enforce any such benefit.

8.8 Nothing in this Agreement shall be construed as establishing a joint venture, agency relationship, any authority of any signatory or the JIC to bind another signatory, or as intending to violate the antitrust laws.

AGREED TO this ____th day of _____, 2003.

NORTH AMERICAN ENERGY STANDARDS BOARD

By: _____

ISO/RTO Council

By: _____

NORTH AMERICAN ELECTRIC RELIABILITY COUNCIL

By: _____

APPENDIX A

JIC Coordination Guidelines

The coordination guidelines for use by the JIC as a starting point, under section 2.6 of the MOU, are based in part upon NERC's Functional Model[6] and in part upon market criteria developed by NAESB. As the JIC gains more experience alternative coordination guidelines may be developed and used as the JIC sees fit.

In general, the functions identified in the functional model diagrams as "generator" (whether merchant or load-affiliated), "purchasing-selling entity," "load-serving entity," "market operator," "customer aggregator," and certain of the relationships and information flows of "transmission service provider," "transmission owner," and "transmission operator" are associated with how wholesale electric business practices and electronic communication protocols are developed for use by market participants. Additionally, market criteria such as product or service definitions, specifications, and compensation; prerequisites for participation in market and identification of costs and funding obligations; arrangements for product and service delivery to customers; creditworthiness requirements; market-related business practices; market settlement practices; and communication protocols in support of market criteria should be considered. Standards development proposals applicable to those functions and to the relationships and information flows among those functions normally would be assigned to NAESB, regardless of where the original request for the standard was filed.

In general, the functions identified in the functional model diagrams as "reliability authority," "balancing authority," "interchange authority," "compliance monitor," "NERC," and certain of the relationships and information flows of "transmission service provider," "transmission owner," and "transmission operator" are associated with the reliable operation of the bulk power system. Standards development proposals applicable to those functions and to the relationships and information flows among those functions normally would be assigned to NERC, regardless of where the original request for the standard was filed.

[6] A PowerPoint display of NERC's Functional Model may be downloaded at http://www.nerc.com/~filez/fmrtg.html. The Functional Model identifies and defines the functions, associated responsibilities, and the relationships and information flows among those functions, that are necessary for electric systems to operate reliably and for participants in wholesale electricity markets to transact business efficiently, independent of which entities perform which functions.

In general, the functions associated with ISO and RTO policy relate to proposals for and implementation of a definite course of action selected from among alternatives that will guide and determine subsequent material decisions for administering electricity markets and operating regional transmission systems, with the approval of the FERC or other appropriate regulatory authorities in North America. Such policy issues would normally be deferred until the FERC or other appropriate regulatory authorities in North America have exercised their authority to determine such policy issues.

Other factors that may be considered by the JIC in determining the assignment of a particular standards development request to NERC or NAESB include (but are not limited to):

a. Regulatory direction to one organization or the other;
b. The priority of the proposal and the ability of either organization to take on and complete the standard development in a timely manner, given its other workload; and
c. Whether the proposal includes a significant reliability compliance element.

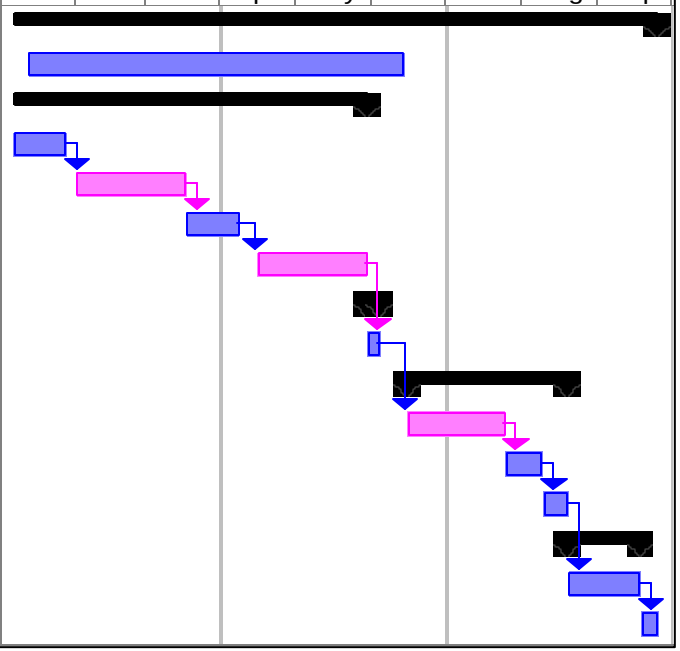
DRAFT Annual Plan for Reliability Standards Development in 2003

Proposed Reliability Standard	Complete Draft of SAR	Complete Draft of Standard	Begin Ballot
Balance Resources and Demand	----	1st Qtr 2003	2nd Qtr 2003
Monitor and Assess Short-term Trans Reliability – Operate Within Limits	----	2nd Qtr 2003	2nd Qtr 2003
Determine Facility Ratings, Operating Limits and Transfer Capabilities	1st Qtr 2003	3rd Qtr 2003	4th Qtr 2003
Coordinate Interchange	1st Qtr 2003	3rd Qtr 2003	4th Qtr 2003
Certification of Reliability Authority	2nd Qtr 2003	4th Qtr 2003	4th Qtr 2003
Certification of Balancing Authority	2nd Qtr 2003	4th Qtr 2003	4th Qtr 2003
Certification of Interchange Authority	2nd Qtr 2003	4th Qtr 2003	4th Qtr 2003
Certification of Transmission Operator	2nd Qtr 2003	4th Qtr 2003	4th Qtr 2003
Revise Reliability Standards Process Manual – Step 2	1st Qtr 2003	1st Qtr 2003	2nd Qtr 2003
Coordinate Operations	2nd Qtr 2003	4th Qtr 2003	1st Qtr 2004
Prepare for and Respond to Abnormal or Emergency Conditions	1st Qtr 2004	2nd Qtr 2004	3rd Qtr 2004
Prepare for and Respond to Blackout or Island Conditions	1st Qtr 2004	2nd Qtr 2004	3rd Qtr 2004
Monitor and Analyze Disturbances, Events, and Conditions	1st Qtr 2004	2nd Qtr 2004	4th Qtr 2004
Assess Transmission Future Needs and Develop Transmission Plans	2nd Qtr 2004	3rd Qtr 2004	1st Qtr 2005
Design, Install and Coordinate Control and Protection Systems	2nd Qtr 2004	3rd Qtr 2004	1st Qtr 2005
Define (Physical) Connection Requirements	2nd Qtr 2004	3rd Qtr 2004	1st Qtr 2005

Note – this schedule presumes that the industry will not support a 60-day posting cycle for draft SARs and draft standards.

Balance Resources and Demand

Task Name	1st Quarter			2nd Quarter			3rd Quarter		
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Develop Balance Resources & Demand Standard									
Solicit Participants for Ballot Pool									
Draft New Standard									
Develop draft standard									
Post draft standard for comment									
Consider comments & develop revised draft									
Post revised draft standard for comment									
Analyze Draft Standard									
Analyze comments									
Ballot New Standard									
Conduct 1st Ballot									
Address negative comments									
Conduct 2nd Ballot									
Adopt Standard									
Post approved standard for BOT action									
Implement Standard									



Monitor and Assess Short-term Transmission Reliability – Operate Within Limits

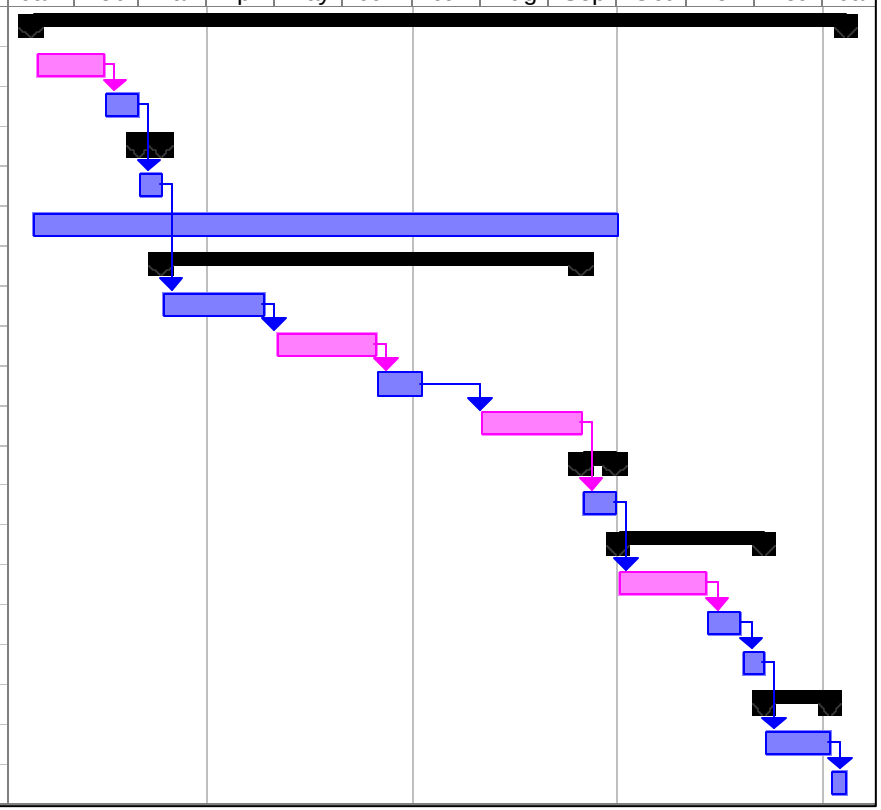
Task Name	Dec	1st Quarter			2nd Quarter			3rd Quarter		
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Develop Op Within Limits Standard										
Solicit Participants for Ballot Pool										
Draft new standard										
Develop draft standard										
Post draft standard for comment										
Consider Comments & Develop Revised draft										
Post draft standard for comment										
Analyze Draft Standard										
Analyze comments										
Ballot New Standard										
Conduct 1st Ballot										
Address Negative Comments										
Conduct 2nd Ballot										
Adopt Standard										
Post approved standard for BOT action										
Implement Standard										

Determine Facility Ratings, Operating Limits and Transfer Capabilities

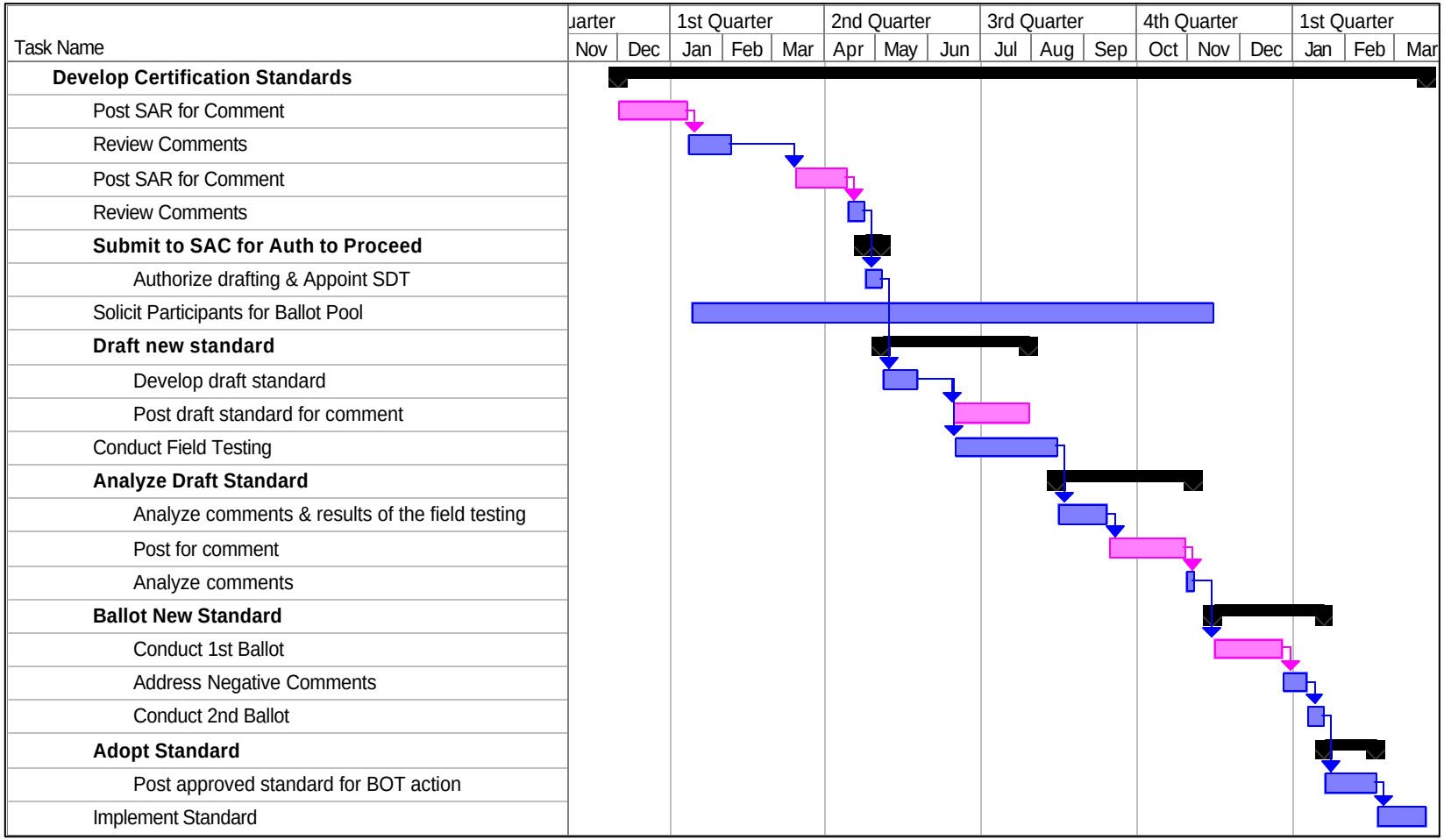
Task Name	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter			1st
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ja
Develop Facility Ratings Standard													
Post SAR for comment													
Review comments													
Submit to SAC for Auth to Proceed													
Authorize drafting & appoint SDT													
Solicit Participants for Ballot Pool													
Draft new standard													
Develop draft standard													
Post draft standard for comment													
Consider comments & develop revised draft													
Post draft standard for comment													
Analyze Draft Standard													
Analyze comments													
Ballot New Standard													
Conduct 1st Ballot													
Address negative comments													
Conduct 2nd Ballot													
Adopt Standard													
Post approved standard for BOT action													
Implement Standard													

Coordinate Interchange

Task Name	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter			1st
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Develop Coord Interchange Standard													
Post SAR for comment													
Review comments													
Submit SAR to SAC for Auth to Proceed													
Authorize drafting & appoint SDT													
Solicit Participants for Ballot Pool													
Draft new standard													
Develop draft standard													
Post draft standard for comment													
Consider comments & develop revised draft													
Post draft standard for comment													
Analyze Draft Standard													
Analyze comments													
Ballot New Standard													
Conduct 1st Ballot													
Address negative comments													
Conduct 2nd Ballot													
Adopt Standard													
Post approved standard for BOT action													
Implement Standard													

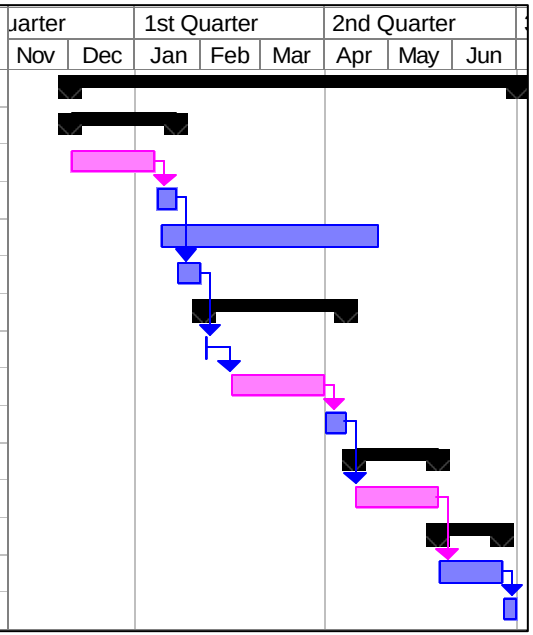


Certification of RA, BA, IA, TOP



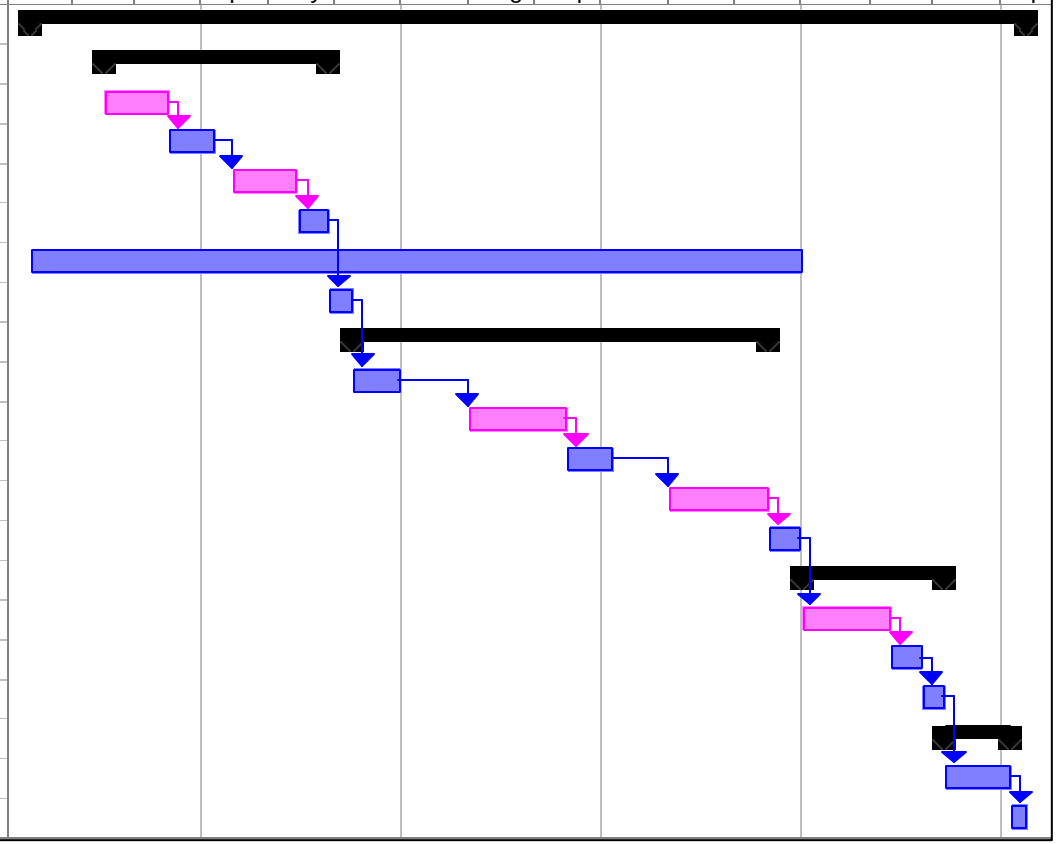
Revision to Standards Process Manual – Step 2

Task Name	uarter		1st Quarter			2nd Quarter			
	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	
Revise Standards Process Manual - Step 2									
Solicit Public Comments on the SAR									
Post SAR for 30 days									
Consider Comments & Submit SAR to SAC									
Solicit Participants for Ballot Pool									
Obtain SAC Auth to Proceed & appt SDT									
Draft New Standard									
Develop draft standard									
Solicit public comments on draft									
Consider comments on draft									
Ballot new standard									
Conduct Ballot									
Adopt Standard									
Post approved standard for BOT action									
Implement Standard									



Coordinate Operations

Task Name	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter			1st Quarter			2nd
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Develop a New Standard																
Solicit Public Comments on the SAR																
Post SAR for 30 days																
Consider Comments & Revise SAR																
Post SAR for 30 days																
Consider Comments & Submit SAR to SAC																
Solicit Participants for Ballot Pool																
Obtain SAC Auth to Proceed & appt SDT																
Draft New Standard																
Develop draft standard																
Solicit Public Comments on Draft																
Consider Comments & Dev Revised draft																
Post revised draft																
Analyze Draft Standard																
Ballot New Standard																
Conduct 1st Ballot																
Address Negative Comments																
Conduct 2nd Ballot																
Adopt Standard																
Post approved standard for BOT action																
Implement Standard																



North American Energy Standards Board

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Home Page: www.naesb.org

NORTH AMERICAN ENERGY STANDARDS BOARD
2003 WEQ Annual Plan Modified by the Executive Committee – December 12, 2002

	Item Description	Completion[1]	Assignment
1	**Develop business practices standards as needed to complement reliability standards.**		
	a) Apply NERC/NAESB MOU provisions in reviewing proposed reliability standards for their business practice implications.	2nd Qtr 2003	Joint Interface Committee (JIC)
	b) Review existing NERC reliability policies and standards for their business practice implications.	2nd Qtr 2003 Low priority	JIC
	c) Review each of the SARs in light of the NERC/NAESB MOU.	Ongoing High priority	JIC
2	**Develop business practices standards for OASIS and Electronic Scheduling**		
	a) Develop business practice standards as needed for OASIS and electronic scheduling including determining which, if any, ESC/OSC and other related industry groups' business practices and standards should be developed into NAESB standards.	4th Qtr 2003 Medium/High priority[2]	Market Standard Subcommittee (MSS)
	b) Develop standard communication protocols and cybersecurity requirements as needed for OASIS and electronic scheduling including determining which, if any, ESC/OSC and other related industry standard communication protocols and cybersecurity requirements should be developed into NAESB standards.	4th Qtr 2003 Ongoing High priority	MSS
3	**Develop business practices standards in Support of a Standard Market**		
	a) Develop standards and model business practices in accordance with FERC orders and rules issued in the SMD docket (RM01-12-000), or pursuant to Order Nos. 888 or 2000, or otherwise directed by the FERC.	Per FERC Order High priority	MSS
	b) Respond to FERC inquiries pertaining to business practice standard development and keep FERC informed on the nature and effectiveness of coordination activities with other standards setting organizations.	Ongoing High priority	MSS
4	**Develop business practices standards to Improve the Current Operation of the Wholesale Electric Market**		
	a) Establish a standardized electric trading day.	See Note 1.	Market Operations

[1] Dates in the completion column are by end of the quarter for completion by the assigned committee. The dates do not necessarily mean that the standards are fully staffed so as to be implementable by the industry, and/or ratified by membership. If one item is completed earlier than planned, another item can begin earlier and possibly complete earlier than planned. There are no begin dates on the plan.

[2] The EC determined that this item should carry a medium priority in terms of substance and a high priority in terms of organizational relations.

North American Energy Standards Board

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NORTH AMERICAN ENERGY STANDARDS BOARD
2003 WEQ Annual Plan Modified by the Executive Committee – December 12, 2002

	Item Description	Completion[1]	Assignment
			Subcommittee (MOS)
b)	Identify and develop business practices on the public dissemination of market information.	See Note 1.	MOS
c)	Establish standard business practices relating to:		
	i) Definition and treatment of firm/nonfirm power;	See Note 1.	MOS
	ii) Definition and treatment of firm/nonfirm transmission;	See Note 1.	MOS
	iii) Provision of reserves for transactions across multiple control areas.	See Note 1.	MOS
d)	Develop business standards as necessary to resolve seams issues between ISOs and RTOs.	See Note 1.	MOS
e)	Develop standards for data requirements, data exchange and scheduling of day-ahead and real-time bilateral markets.	See Note 1.	MOS
f)	Examine business practices and definitions currently in use to determine applicability on a North American basis.	See Note 1.	MOS
g)	Catalogue, assess and prioritize existing "standards" that have significant business practice implications.	See Note 1.	MOS
h)	Review activities of NERC CIPAG in light of NERC-NAESB MOU regarding cyber security requirements for their business practice and system communication standards implications.	See Note 1.	MOS
5	**Develop standardized contracts**		
a)	A review of both the Western Systems Power Pool and the Edison Electric Institute (EEI) Master Service agreements and other related agreements would be in order with the objective of developing standard short term and long term master-service agreements.	2nd Qtr 2003 High priority for outreach	Contracts Subcommittee
b)	A review of the EEI Master netting agreement with the objective of developing standard terms and conditions for netting settlements (perhaps this is a subset discussion of the master service agreements above)	2nd Qtr 2003 High priority for outreach	Contracts Subcommittee
c)	A review of the terms and conditions of the standard liquidated damages contracts ("into Entergy, Into Cinergy, etc.) with the objective of developing standard LD contract terms	4th Qtr 2003 High priority for outreach	Contracts Subcommittee
d)	A review of the International Swaps and Derivatives Association (ISDA) cross commodity netting agreement	2nd Qtr 2003 High priority for outreach	Contracts Subcommittee
e)	Identify and develop business practices that would facilitate transactions between 2 parties when creditworthiness is an issue.	3rd Qtr 2003	Contracts Subcommittee

North American Energy Standards Board
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Home Page: www.naesb.org

NORTH AMERICAN ENERGY STANDARDS BOARD
2003 WEQ Annual Plan Modified by the Executive Committee – December 12, 2002

	Item Description	Completion[1]	Assignment
	transactions between 2 parties when creditworthiness is an issue.	High priority for outreach	
	f) Develop the Funds Transfer Agency Agreement.	2nd Qtr 2003 High priority for outreach	Contracts Subcommittee
6	**Develop business practices standards for Inadvertent Interchange Payback Practice.**	2nd Qtr 2003 High/Medium priority	MOS
7	**Develop business practices standards related to FERC's forthcoming generation interconnection orders** (large and small generators), in Docket Nos. RM02-01-000 and RM02-12-000.	4th Qtr 2003[3] High priority	MSS

Notes:
1. The WEQ EC Subcommittee will prioritize these items as appropriate and update the Board.

[3] The completion date is dependent upon the issuance date of the generation interconnection orders.

Standard Authorization Request Form

Title of Proposed Standard	Determine Facility Ratings System Operating Limits and Transfer Capability
Request Date	March 20, 2002

This is version 4 of this SAR, titled Facility Ratings 01 04, as posted on February 18, 2003. This version of the SAR has been submitted to the NERC Standards Authorization Committee for approval for standards drafting.

SAR Requestor Information

		SAR Type (Check box for one of these selections.)	
Name	Jim Byrd (Wally Johnson as substitute)		
Company	Pepco	☒	New Standard
Telephone	301-469-5252	☐	Revision to Existing Standard
Fax		☐	Withdrawal of Existing Standard [1]
E-mail	wajohnson@pepco.com	☐	Emergency Action

Purpose/Industry Need (Provide one or two sentences.)

Determine facility ratings, system operating limits, and transfer capabilities necessary to plan and operate the bulk electric system within predefined facility and operating limits such that cascading outages, uncontrolled system separation, and voltage and transient instability are avoided.

Brief Description

Facility Ratings:

Requirements shall be established for determining and communicating Facility Ratings needed to determine System Operating Limits and Transfer Capabilities. Facilities included in the standard shall be those that affect bulk electric system reliability such as substation, generation, and transmission equipment. The Facility Ratings to be addressed in the standard shall include thermal limits, voltage limits, and other limits as applicable to the equipment that comprise the facility.

System Operating Limits:

Requirements shall be established for determining System Operating Limits that adhere to Facility Ratings and predefined system reliability performance criteria such as voltage limits, frequency limits, power transfer limits (thermal, voltage, and stability).

Transfer Capabilities:

Requirements shall be established for determining Transfer Capabilities that adhere to Facility Ratings, System Operating Limits and predefined system reliability performance criteria such as voltage limits, frequency limits, power transfer limits (both thermal and stability).

Notes: (1) During the standards drafting phase, the standard may be split into pieces, if appropriate.

(2) The NERC Functional Model has not been finalized. Modifications to the Functional Model may require similar modifications to the standard.

*Reliability Functions**

The Standard will Apply to the Following Functions *(Check box for each one that applies.)*		
☒	Reliability Authority	Ensures the reliability of the bulk transmission system within its Reliability Authority area. This is the highest reliability authority.
☐	Balancing Authority	Integrates resource plans ahead of time, and maintains load-interchange-resource balance within its metered boundary and supports system frequency in real time
☐	Interchange Authority	Authorizes valid and balanced Interchange Schedules
☒	Planning Authority	Plans the bulk electric system
☐	Transmission Service Provider	Provides transmission services to qualified market participants under applicable transmission service agreements
☒	Transmission Owner	Owns transmission facilities
☒	Transmission Operator	Operates and maintains the transmission facilities, and executes switching orders
☐	Distribution Provider	Provides and operates the “wires” between the transmission system and the customer
☒	Generator	Owns and operates generation unit(s) or runs a market for generation products that performs the functions of supplying energy and Interconnected Operations Services
☐	Purchasing-Selling Entity	The function of purchasing or selling energy, capacity and all necessary Interconnected Operations Services as required
☐	Load-Serving Entity	Secures energy and transmission (and related generation services) to serve the end user

*Please refer to the Detailed Description. Not all aspects of this SAR apply to all the functions checked.

Reliability and Market Interface Principles

Applicable Reliability Principles *(Check box for all that apply.)*	
☒	1. Interconnected bulk electric systems shall be planned and operated in a coordinated manner to perform reliably under normal and abnormal conditions as defined in the NERC Standards.
☒	2. The frequency and voltage of interconnected bulk electric systems shall be controlled within defined limits through the balancing of real and reactive power supply and demand.
☒	3. Information necessary for the planning and operation of interconnected bulk electric systems shall be made available to those entities responsible for planning and operating the systems reliably.
☒	4. Plans for emergency operation and system restoration of interconnected bulk electric systems shall be developed, coordinated, maintained and implemented.
☐	5. Facilities for communication, monitoring and control shall be provided, used and maintained for the reliability of interconnected bulk electric systems.
☐	6. Personnel responsible for planning and operating interconnected bulk electric systems shall be trained, qualified and have the responsibility and authority to implement actions.
☒	7. The security of the interconnected bulk electric systems shall be assessed, monitored and maintained on a wide area basis.

Does the proposed Standard comply with all of the following Market Interface Principles? *(Select 'yes' or 'no' from the drop-down box.)*
1. The planning and operation of bulk electric systems shall recognize that reliability is an essential requirement of a robust North American economy. Yes
2. An Organization Standard shall not give any market participant an unfair competitive advantage. Yes
3. An Organization Standard shall neither mandate nor prohibit any specific market structure. Yes
4. An Organization Standard shall not preclude market solutions to achieving compliance with that Standard. Yes
5. An Organization Standard shall not require the public disclosure of commercially sensitive information. All market participants shall have equal opportunity to access commercially non-sensitive information that is required for compliance with reliability standards. Yes

Detailed Description

Reliable operation of the bulk power system requires quantification of the ability of the bulk power system to reliably transmit electric power. Therefore, detailed knowledge of equipment ratings and Facility Ratings for all of the components in the power system is required to determine the maximum permissible power flows through a facility (or set of facilities), and to determine the limits to power transfers while operating according to applicable reliability criteria. Appropriate equipment ratings, System Operating Limits and Transfer Capabilities are fundamental building blocks for the proper planning of the system to ensure its reliable operation.

This Standard requires that limits be determined to ensure the reliable planning and operation of the bulk electric system. Although planning and operating limits may differ due to the degree of uncertainty involved, both must not exceed Facility Ratings.

This standard does not address operating reserve requirements or the control of unscheduled flows; these issues are addressed in other standards.

Facility Ratings

Definitions:

Facility – a set of electrical equipment that operate as a single bulk power system element (e.g., a line, a generating unit, a shunt compensator, etc).

Facility Rating – the maximum or minimum voltage, current, real or reactive power flow through a facility that does not violate an applicable rating of any equipment comprising the facility

Equipment Rating – the maximum and minimum voltage, current, frequency, real and reactive power flows on individual equipment apparatus under steady state, short-circuit and transient conditions, as permitted or assigned by the equipment owner.

This standard will apply to all transmission and generation facilities in the bulk electric system. Transmission owners and generator owners determine their respective facility ratings and must ensure that this information is supplied to entities responsible for the Reliability Authority, Transmission Operator and Planning Authority functions in a timely manner.

The responsibility for equipment ratings remains with the owners of the equipment (i.e. transmission owners and generation owners). Accordingly, individual pieces of equipment will have ratings established by the owners. In establishing the ratings, owners should consider items such as: other industry standards (e.g., IEEE, ANSI, CSA), equipment warranties, the age of equipment, the expected replacement date of the equipment, the climatic conditions, performance testing, prior problems with the equipment and maintenance condition. Each equipment rating must be applied consistently in reliability studies and system operations.

The equipment ratings determined by generator and transmission owners must not be violated when calculating System Operating Limits and Transfer Capabilities.

Facility Ratings shall not result in the violation of the respective equipment ratings of each piece of equipment that forms the facility (for example in the case of a transmission line: bus conductor, CTs, PTs, protection, risers, line conductor, wave traps, filters, line reactors, breakers, and line disconnects).

The standard will state that equipment owners must document the methodology they employ to determine facility ratings and must make the methodology available to NERC, NERC Regions or their successors and entities performing the Reliability Authority and Planning Authority functions upon request. In addition, equipment owners must make applicable Facility Ratings (not limited to steady-state) available

to NERC, NERC Regions or their successors, and entities performing the Reliability Authority and Planning Authority functions in a pre-defined form, including the conditions under which the ratings apply (ie, seasonal, emergency, normal, short-term, etc). These ratings must be adhered to in the development of Transfer Capabilities and System Operating Limits.

This Standard does not require the development or use of a single methodology for the calculation of equipment or Facility Ratings.

This portion of this standard will address the need for timely submission of accurate and complete Facility Ratings information including the methodology used to determine them to the users of this information.

Possible Measures:

1. Availability of a documented Facility Ratings methodology
2. Availability of Facility Ratings
3. Consistency of Facility Ratings with the Facility Ratings methodology

System Operating Limits

Definitions:

System Operating Limit – the maximum or minimum permissible loading on a facility or a limited group of facilities without violating applicable Facility Ratings and reliability criteria, as determined through system studies and/or operational experience. System Operating Limits may result from voltage, thermal or stability limits associated with one or more facilities. (Stability and voltage limits will be reflected as a permissible loading level). System Operating Limits may refer to limits in both real-time operations and planning studies.

Entities performing the Reliability Authority, Transmission Operator and Planning Authority functions shall establish System Operating Limits to define the maximum reliable loadings for facilities within the bulk power system. System Operating Limits must be provided to those responsible for the reliable operation of the system in a timely manner (as determined by the Reliability Authority). Such limits will be monitored and adhered to by those responsible for system operation {See SAR: Operate Within Transmission System Limits - Monitor and Assess Short-term Reliability}.

This standard will require that reliability margins be considered, identified, and defined in the determination of System Operating Limits where appropriate. Such margins might reflect: uncertainty in system conditions (demand levels, generation dispatch), operation of controllable elements such as phase shifting transformers, and the impact of third party loop flows, or other uncertainties.

The standard will state that those determining System Operating Limits must provide supporting information regarding the limits to NERC, NERC Regions or their successors and entities performing the Reliability Authority and Planning Authority functions upon request.

The determination of System Operating Limits must address:

- the applicable (such as seasonal, normal, emergency, short term etc) Equipment Ratings and Facility Ratings
- applicable contingencies

- the accuracy and tolerances of system models
- special protection systems or remedial action plans (see SAR "Assess Transmission Future Needs and Develop Transmission Plans")
- transmission system configuration, generation dispatch and load level
- the assumptions implicit in the limits developed,

System Operating Limits, which will be applicable to flows through a specific transmission facility or interface in the system, must then provide a reasonable certainty that the following do not occur:

- uncontrolled separation within the system
- cascading outages
- voltage and transient instability
- violation of applicable reliability performance criteria (for example, in the planning horizon, as specified in Table 1: Transmission System Standards – Normal and Contingency Conditions, page 13 of the current NERC Planning Standards. ftp://www.nerc.com/pub/sys/all_updl/pc/pss/ps9709.pdf)

Depending upon local system conditions, a System Operating Limit may be a relatively independent quantity (indicating relative independence of the conditions on other facilities) or may be an interdependent quantity expressed in nomograms or equations indicating dependencies on other interfaces or transmission facilities, prior-outage conditions and other system conditions.

This portion of this standard will address the need to determine and deliver System Operating Limits to system operators

Possible Measures:

1. Availability of System Operating Limits
2. Consistency with Equipment and Facility Ratings

Transfer Capability

Definitions:

Transfer Capability – measure of the ability of the interconnected electric system to reliably move or transfer electric power from one area to another over all transmission lines (or paths) between those areas under specified system conditions. The determination of Transfer Capability must adhere to applicable System Operating Limits.

Use of the system shall not exceed the Transfer Capability. This standard does not address Available Transfer Capability (ATC), other transfer capabilities determined for commercial reasons, or the margins associated with these quantities. The entities performing the Reliability Authority, Planning Authority, and the Transmission Operator functions may calculate transfer capabilities in the fulfillment of their respective responsibilities. The determination of Transfer Capability must consider transmission system topology, system demand, generation dispatch, current and projected transmission uses, and system limitations.

This standard will require that reliability margins be considered, identified and defined in the determination of Transfer Capability where appropriate. Such margins might reflect: uncertainty in system conditions

(demand levels, generation dispatch), operation of controllable elements such as phase shifting transformers, and the impact of third party loop flows.

The standard will state that those determining Transfer Capabilities must provide supporting information regarding the capabilities to NERC, NERC Regions or their successors and entities performing the Reliability Authority and Planning Authority functions upon request.

Possible Measures:

Transfer Capabilities must be made available for use in reliability assessments.

Consistency with Equipment and Facility Ratings and System Operating Limits.

Related SARs

SAR ID	Explanation
OPER_WITHN_LMTS_01_02	The Operate Within Transmission System Limits - Monitor and Assess Short-term Reliability SAR is developed on the assumption that facility ratings and operating limits have been established.
TRNS_NDS_&_PLNS_01_01	The Assess Transmission Future Needs and Develop Transmission Plans SAR will use some of the data collected within this SAR.
COORD_OPERATONS_01_01	The Coordinate Operations SAR will include requirements that Transmission Operators share operating limits with other Transmission Operators.

Regional Differences

Region	Explanation
ECAR	
ERCOT	
FRCC	
MAAC	
MAIN	
MAPP	

NPCC	NPCC has stated that they have more stringent requirements for portions of this standard.
SERC	
SPP	
WECC	WECC has requested a difference, based upon their existing RMS program and that the majority of WECC members currently determine SOLs (in the form of Path Ratings and Operating Transfer Capabilities), rather than TCs as defined in this SAR.

Implementation Plan

Description *(Provide plans for the implementation of the proposed standard, including any known systems or training requirements.)*

(To be developed)

Related NERC Planning Standards/Operating Policies

Standard No.	Explanation
Planning Std I A	Plan within ratings, avoid cascading outages, uncontrolled system separation, and voltage and transient instability
Planning Std I B S1 M2	Items 5-6, transfer capability/system conditions
Planning Stds I E	Total Transfer Capability
Planning Stds II B	Generator ratings
Planning Stds II A	Facility ratings, system data
Planning Std II C	Facility ratings
Operating Policy 2 A	Operating Security Limits
Operating Policy 3 B	Total Transfer Capability
Operating Policy 6 A	Transfer limits

Proposed Implementation:

(To be developed)

SAR Drafting Team	
Chairman	Chifong Thomas
Secretary	Tim Gallagher
Requestor	Jim Byrd/Wally Johnson
Industry Representatives	Doug Chapman Terry Crawley Paul Johnson Larry Eng

	Peter Mackin Tom Mielnik Mike Miller John O'Connor Ron Szymczak Lee Westbrook Guy Zito

North American Energy Standards Board

Request for Initiation of a NAESB Standard for Electronic Business Transactions
or
Enhancement of an Existing NAESB Standard for Electronic Business Transactions

Instructions:

1. Please fill out as much of the requested information as possible. It is mandatory to provide a contact name, phone number and fax number to which questions can be directed. If you have an electronic mailing address, please make that available as well.

2. Attach any information you believe is related to the request. The more complete your request is, the less time is required to review it.

3. Once completed, send your request to:

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

   Phone: 713-356-0060
   Fax: 713-356-0067

   by either mail, fax, or to NAESB's email address, naesb@aol.com.

Once received, the request will be routed to the appropriate subcommittees for review.

North American Energy Standards Board

Request for Initiation of a NAESB Standard for Electronic Business Transactions
or
Enhancement of an Existing NAESB Standard for Electronic Business Transactions

Date of Request: _03/06/2003_

1. Submitting Entity & Address:

_WEQ Market Operations Subcommittee, _____
_Inadvertent Interchange Payback Task Force_____
_____
_____

2. Contact Person, Phone #, Fax #, Electronic Mailing Address:

Name : _Bob Goss (IIPTF Chair)_____
Title : _Dept. Asst. Administrator - Pwr Resources
Phone : _(706) 213-3860_____
Fax : _ _____
E-mail : _ bobg@sepa.doe.gov _____

3. Description of Proposed Standard or Enhancement:

NAESB standard for the settlement of inadvertent interchange

4. Use of Proposed Standard or Enhancement (include how the standard will be used, documentation on the description of the proposed standard, any existing documentation of the proposed standard, and required communication protocols):

The standard or standards will define the alternatives that may be used to settle Inadvertent Interchange while mitigating the potential financial gain that misuse of the current payback-in-kind methodology fails to prevent. The work of the NERC Joint Inadvertent Interchange Task Force will be used as the initial model for development and enhancement of the required standard or standards that may include energy, transmission and frequency components of Inadvertent Interchange.

5. Description of Any Tangible or Intangible Benefits to the Use of the Proposed Standard or Enhancement:

Incent good behavior of balancing actual output and scheduled output within a reliable average limit and reduce the possibility of inadvertent accumulation.

6. Estimate of Incremental Specific Costs to Implement Proposed Standard or Enhancement:

   At this point in time in the development process this task force anticipates little or no net incremental costs to implement the standard(s).

7. Description of Any Specific Legal or Other Considerations:

   As a result of developing standards on this request, NERC Policies concerning inadvertent interchange will need to be reviewed for changes.

8. If This Proposed Standard or Enhancement Is Not Tested Yet, List Trading Partners Willing to Test Standard or Enhancement (Corporations and contacts):

   None identified.

9. If This Proposed Standard or Enhancement Is In Use, Who are the Trading Partners :

   N/A

10. Attachments (such as : further detailed proposals, transaction data descriptions, information flows, implementation guides, business process descriptions, examples of ASC ANSI X12 mapped transactions):

    N/A

North American Energy Standards Board

Request for Initiation of a NAESB Standard for Electronic Business Transactions
or
Enhancement of an Existing NAESB Standard for Electronic Business Transactions

Instructions:

1. **Please fill out as much of the requested information as possible. It is mandatory to provide a contact name, phone number and fax number to which questions can be directed. If you have an electronic mailing address, please make that available as well.**

2. **Attach any information you believe is related to the request. The more complete your request is, the less time is required to review it.**

3. **Once completed, send your request to:**

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

   Phone: 713-356-0060
   Fax: 713-356-0067

   by either mail, fax, or to NAESB's email address, naesb@aol.com.

Once received, the request will be routed to the appropriate subcommittees for review.

North American Energy Standards Board

Request for Initiation of a NAESB Standard for Electronic Business Transactions
or
Enhancement of an Existing NAESB Standard for Electronic Business Transactions

Date of Request: February 4, 2003

1. Submitting Entity & Address:

AmPro Energy, Inc
5803 Beacon Falls
Kingwood, Texas 77345

2. Contact Person, Phone #, Fax #, Electronic Mailing Address:

Name : Amy Gasca
Title : President & CEO
Phone : 281-360-9825 Office 713-5450084 Cell
Fax : 281-360-9825
E-mail : agasca@amproenergy.com

3. Description of Proposed Standard or Enhancement:

Expand the FTA Agreement to be able to perform power transactions to support Retail Energy provider supply requirements and Wholesale Power transactions. The changes are as follows:

1. Change FTA to reflect Power as the traded commodity.
2. It was come to our attention that Suppliers would prefer if we add a sentence under Article 1.3 to have the Buyer be responsible for the FTA (Bank)'s transaction fee. (Proposed language on page 1 Article 1.3)
3. Add Article 1.4 to include Governing Law (proposed language on page 1 Article 1.4)
4. Add Article 2.5 to include Confidentiality Clause (proposed language on page 1 Article 2.5)
5. It was come to our attention that the FTA should notify Seller if the Buyer has not made timely payments. (Proposed language on page 2 Article 3.1)

4. Use of Proposed Standard or Enhancement (include how the standard will be used, documentation on the description of the proposed standard, any existing documentation of the proposed standard, and required communication protocols):

These changes will allow the FTA Agreement be expanded to be applicable in the Power Industry.

5. Description of Any Tangible or Intangible Benefits to the Use of the Proposed Standard or Enhancement:

The Power FTA Agreement will allow WMBE companies more access and level plain field into the Power Industry.

6. Estimate of Incremental Specific Costs to Implement Proposed Standard or Enhancement:

No incremental cost is expected to implement the changes.

7. Description of Any Specific Legal or Other Considerations:

Not that I am aware of.

8. If This Proposed Standard or Enhancement Is Not Tested Yet, List Trading Partners Willing to Test Standard or Enhancement (Corporations and contacts):

I have discussed the proposed enhancements and the FTA Agreement with Texas Independent – Power Generator, TXU Energy Trading Company and Reliant Energy.

9. If This Proposed Standard or Enhancement Is In Use, Who are the Trading Partners :

New in Power

10. Attachments (such as : further detailed proposals, transaction data descriptions, information flows, implementation guides, business process descriptions, examples of ASC ANSI X12 mapped transactions):

The FTA is attached in a redline format showing the language that supports the proposed changes.

NAESB FUNDS TRANSFER AGENT AGREEMENT

Electric Power

This NAESB Funds Transfer Agent Agreement (“FTA Agreement”) is made and entered into as of [_____,] by *[Marketer/WMBE (Woman Minority Business Enterprises)]* (“Buyer”), *[Bank]* ("Funds Transfer Agent" or "FTA"), and *[Supplier]* ("Seller").

a) The Buyer, Seller, and Funds Transfer Agent agree that Buyer's purchases from Seller under this Funds Transfer Agreement shall only be resold to _____ (Buyer’s Repurchaser).

b) There is a separate and distinct FTA Agreement between the Seller, Buyer, and Funds Transfer Agent for each of the Buyer's repurchasers, which reflects the underlying terms and conditions of the “Base Contract” between the Buyer and such repurchaser.

c) This FTA Agreement contemplates an instantaneous transfer of title to the Power from Seller to Buyer to Buyer’s Repurchaser, so that all parties agree the Power is only to be scheduled at the same delivery point to the Buyer's Repurchaser.

ARTICLE 1 SCOPE OF AGREEMENT

1.1. Special Provision: This FTA Agreement constitutes a Special Provision to that affecting all transactions related to product and services under the EEI Master Power Purchase and Sale Agreement, the Western Systems Power Pool Agreement or other applicable bi-lateral power agreement dated _____, between Buyer and Seller ("Base Contract"), and is intended to supplement the General Terms and Conditions ("GT&C") affecting all transactions thereunder wherein Buyer and Seller assume the respective roles as indicated in the first paragraph of this FTA Agreement. Capitalized terms used in this FTA Agreement, which are not herein defined, will have the meanings ascribed to them in the GT&C.

1.2. Term: This FTA Agreement shall commence on _____, and continue on a Month-to-Month basis until terminated by any party upon 30 Days written notice to the other parties; provided, however, that this FTA Agreement may not be terminated prior to the expiration of the latest Delivery Period of any Transaction Confirmation(s) previously agreed to by the parties subject to this FTA Agreement. The obligation to make payment hereunder, including any related adjustments, shall survive the termination or cancellation of this FTA Agreement.

1.3. Appointment of Funds Transfer Agent ("FTA"): Seller and Buyer hereby appoint FTA as their agent under this FTA Agreement and all related documents, instruments, and agreements ("Related Agreement(s)"), and authorize the FTA, in such capacity, to exercise such powers and perform such duties as are expressly delegated to the FTA by the terms of this FTA Agreement and the Related Agreements, together with such other powers as are reasonably incidental thereto. The FTA shall not have any duties or responsibilities to, or any fiduciary relationship with, Buyer or Seller, and no implied covenants, functions, responsibilities, duties, obligations, or liabilities shall be read into this FTA Agreement or any Related Agreement or otherwise exist with respect to the FTA, except those expressly set forth herein including those identified in Section 3.1. Buyer shall have full obligation to compensate the FTA for its service (transaction) fees.

ARTICLE 2 TRANSACTION PROCEDURE

2.1. Modification to Transaction Procedure and Transaction Confirmation to Base Contract: The parties will use the following Transaction Confirmation procedure in lieu of the procedure set out in the Base Contract. The Transaction Confirmation is attached as Exhibit A-1

2.2. Execution of Transaction Confirmation By Buyer And Seller: Should Buyer and Seller come to an Agreement regarding a Power purchase and sale transaction for a particular Delivery Period subject to this FTA Agreement, the Confirming Party shall, and the other party may, record that agreement on a Transaction Confirmation and communicate such Transaction Confirmation by facsimile, to the other party and to the FTA by the close of the Business Day following the date of agreement. If a sending party's Transaction Confirmation is agreeable to the receiving party, the receiving party will execute the Transaction Confirmation and communicate copies thereof to the sending party and to the FTA by facsimile transmission by the close of the Business Day following receipt. Buyer and Seller will assign to each Transaction Confirmation the same identification number as Buyer’s Repurchaser assigns to the corresponding Transaction Confirmation between Buyer and Buyer’s Repurchaser.

2.3. Confirmation of Transaction by FTA: Upon the FTA's receipt of a Transaction Confirmation executed by both Buyer and Seller, FTA will verify (i) that Buyer has contracted with Buyer’s Repurchaser to take delivery of a like quantity of Power at the Delivery Point(s) and under the same performance obligation.as identified on the Transaction Confirmation; (ii) that Buyer’s Repurchaser has agreed to make payment through the FTA of the funds due for its

purchase of the Power delivered and accepted at such Delivery Point(s); and (iii) that the price to be paid by the Buyer's Repurchaser for such Power is not less than the price set out on the Transaction Confirmation between Buyer and Seller. The FTA will confirm its verification within 24 hours of its receipt of the executed Transaction Confirmation(s) by executing the FTA Confirmation Statement, as provided below, as a Special Condition at the bottom of the Transaction Confirmation and returning copies of such executed FTA Confirmation Statement to Buyer and Seller by facsimile transmission.

> Special Condition - FTA Confirmation Statement
> *[Bank]*, as the Funds Transfer Agent (FTA), has reviewed the foregoing Transaction Confirmation and hereby confirms to Seller and Buyer that it shall make payment on behalf of Buyer to Seller for the Power – delivered subject to this Transaction Confirmation pursuant to the terms and conditions of its FTA Agreement with Buyer and Seller. FTA further confirms that Buyer's Repurchaser has contracted for the repurchase of a corresponding quantity of Power at the Delivery Point(s) identified above, under the same performance obligation at a price greater than the price set out above, and that Buyer's Repurchaser has agreed to make payments for such Power directly to FTA.
>
> *[Bank]*: _____

2.4. Confirmation Execution Required: If Seller or Buyer has not received the FTA's Confirmation Statement within 24 hours after communication of the executed Transaction Confirmation to FTA, such party shall contact FTA and the other party by telephone regarding such non-receipt. The parties acknowledge that their agreement will not be binding until FTA executes its FTA Confirmation Statement and communicates a copy of such to Buyer and to Seller.

2.5 Confidentiality: Neither Party, Buyer, Seller and FTA shall disclose the terms or conditions of a Transaction under this FTA Agreement to a third party (other than the Party's employees, lenders, counsel, accountants or advisors who have a need to know such information and have agreed to keep such terms confidential) except in order to comply with any applicable law, regulation, or any exchange, control area or independent system operator rule or in connection with any court or regulatory proceeding; provided, however, each Party shall, to the extent practicable, use reasonable efforts to prevent or limit the disclosure. The Parties shall be entitled to all remedies available at law or in equity to enforce, or seek relief in connection with, this confidentiality obligation.

2.6. No Modification: A fully executed and confirmed Transaction Confirmation may not be modified without the written consent of Buyer, Seller, and FTA. In the event of a conflict among the terms of (i) a Transaction Confirmation; (ii) the Base Contract, including any Special Provisions; and (iii) the GT&C, the terms of the documents shall govern in the priority listed in this sentence.

ARTICLE 3 PAYMENTS

3.1. Payment From FTA: FTA shall pay Seller by wire transfer for the benefit of Buyer on the next Business Day following receipt of funds paid by Buyer's Repurchaser, and in accordance with FTA wire instructions contained in Section 3.2 below. Additionally, Buyer will furnish to FTA a copy of Seller's invoice, which will determine the amount of the wire transfer. Buyer shall not be required to enter into any other contractual or other arrangements in order to effectuate payments to Seller. FTA's obligation to make payment to Seller hereunder is specifically conditioned upon FTA's receipt of funds from Buyer's Repurchaser. Funds received from Buyer's Repurchaser shall be held in trust by the FTA for the benefit of the Seller to the extent of the purchase price owing from the Buyer to the Seller.

3.2. Payment Address: All payments from Buyer to Seller shall be sent through FTA via Fed Funds to Seller at the address set out herein. Only Seller may request revisions to the address specified for payment herein, which requests shall not be made more than two times per year, unless due to merger or mandated by State or Federal regulations.

> *[Supplier']* - Wire Transfer Account
> Bank: *[Supplier's Bank], [City, State]*
> Account No. *[000-00-000000]* ABA # *[000000000]*
>
> Invoice Reference No. _____
>
> Please include invoice reference number _____ in the text field of your wire transfer.

ARTICLE 4 NOTICES

4.1. Notice Requirements : Any notice provided for in this FTA Agreement, or any notice which any party may desire to give to the others, shall be sent by facsimile or other mutually acceptable electronic means, and confirmed by a telephone call as soon as possible during common business hours, to the contacts set out below.

4.2. Notices to FTA

Primary Contact:	**Emergency Contact**:
[name]	*[name]*

Telephone No:
Facsimile No:
Email Address:

Telephone No:
Facsimile No:
Email Address:

4.3. Notices to Buyer:

Primary Contact:
[name]
Telephone No:
Facsimile No:
Email Address:

Emergency Contact:
[name]
Telephone No:
Facsimile No:
Email Address:

4.4. Notices to Seller:

Primary Contact:
[name]
Telephone No:
Facsimile No:
Email Address:

Emergency Contact:
*[*name]
Telephone No:
Facsimile No:
Email Address:

4.5. Change of Contacts : Any party may change the designated contact and/or telephone and/or facsimile numbers and/or Email Address for notices upon seven Days written notice.

As evidence of their agreement hereto, the parties have caused this FTA Agreement to be duly executed in triplicate originals by their authorized representatives as of the date first written above.

BUYER:

By: _____
Name: _____
Title: _____

SELLER:

By: _____
Name: _____
Title: _____

FUNDS TRANSFER AGENT:

By: _____
Name: _____
Title: _____

SPECIAL PROVISION
TO THE
BASE CONTRACT FOR SALE AND PURCHASE OF ELECTRIC POWER

This Special Provision is made and entered into as of _____, and amends that certain Base Contract for Sale and Purchase of Electric Power dated _____ _____, between *[Repurchaser]* and *[Marketer]* ("Base Contract"), and is intended to supplement the General Terms and Conditions ("GT&C") affecting all Transactions where *[Repurchaser]* is buyer, hereinafter referred to as Repurchaser, and *["WMBE" Woman Minority Business Enterprises]* is seller, hereinafter referred to as Marketer. Capitalized terms used in this Agreement, which are not herein defined, will have the meanings ascribed to them in the GT&C.

1. DEFINITION OF "FTA": The term "FTA" or "Funds Transfer Agent" will refer to:
[Bank]
[Bank's address]

2. CONFIRMATION OF TRANSACTION BY FTA: Repurchaser and Marketer will send copies of their respective periodic Transaction Confirmations to FTA. Repurchaser will obtain confirmation by the FTA that Marketer has contracted with a supplier to deliver a like quantity of Power at the Delivery Point(s) identified on the Transaction Confirmation, under the same performance obligation at a price no greater than the price set out on the Transaction Confirmation between Repurchaser and Marketer. Such confirmation will be documented by the FTA's execution of the FTA Confirmation Statement, as provided below, as a Special Condition at the bottom of the Transaction Confirmation sent by FTA to Marketer and to Repurchaser. (An example of this form of Transaction Confirmation is attached as Exhibit A-2.)

> Special Condition - FTA Confirmation Statement
> _____, as the Funds Transfer Agent (FTA), has reviewed the foregoing Transaction Confirmation and confirms that Marketer has contracted for delivery of a corresponding quantity of Power at the Delivery Point(s) identified above, under the same performance obligation and at a price no greater than the price set out above. FTA will accept payment from Repurchaser on behalf of Marketer under the terms and conditions of the Base Contract.
> [FTA]: _____

3. NO MODIFICATION: The payment instructions may not be modified during the operative period of a binding Transaction Confirmation. Any modification to a binding Transaction Confirmation must be in the form of a revised Transaction Confirmation and subject to the same confirmation process set out in paragraph 2 above.

4. NOTIFICATION: Repurchaser and Marketer agree to furnish to the FTA a copy of this Special Provision and each operative Transaction Confirmation, substantially in the form of Exhibit A-2. Repurchaser and Marketer hereby advise FTA that any information furnished hereunder is confidential.

5. OPTION OF REPURCHASER: The Repurchaser has the option to specify the names of suppliers authorized to supply the Power to Marketer. Therefore, Repurchaser and Marketer agree that Power sold to Repurchaser under this Special Provision shall be purchased only from the companies listed below. If no suppliers are listed below, any supplier shall be deemed acceptable to Repurchaser. Repurchaser may amend the authorized suppliers list for future transactions by written notice to the Marketer and to the FTA, so long as the change(s) are made prior to the fifteenth Day of the Month preceding the Month of delivery.

Authorized Suppliers List

_____	_____	_____
_____	_____	_____
_____	_____	_____

REPURCHASER:	MARKETER:
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____
Date: _____	Date: _____

TRANSACTION CONFIRMATION EXHIBIT A-1
FOR IMMEDIATE DELIVERY

Date:
Transaction Confirmation #: (1) A-1

This Transaction Confirmation is subject to the Base Contract between Seller and Buyer dated __ _____ _____. The terms of this Transaction Confirmation are binding unless disputed in writing within 2 Business Days of Receipt unless otherwise specified in the Base Contract.

SELLER: ***[Supplier]***	**BUYER**: ***[Marketer]***
_____	_____
_____	_____
_____	_____
Attn: _____	Attn:_____
Phone: _____	Phone: _____
Fax: _____	Fax.: _____
Base Contract No.: _____	Base Contract No.: _____

Performance Obligation: Firm-LD (2) A-1

(3) A-1 Daily Quantity	**(4) A-1 Delivery Point(s)**	**(5) A-1 Price $/MWh**	**(6) A-1 Delivery Period**

Special Condition: FTA Confirmation Statement

Seller: _ _____	**Buyer:**_____
By: _ _____ **(7) A-1** _	By: _____**(8) A-1**__
Title: _____	Title: _____
Date: _____	Date: _____

BUYER AND SELLER AGREE THAT THE PAYMENT INSTRUCTIONS MAY NOT BE MODIFIED DURING THE
OPERATIVE PERIOD OF THIS BINDING TRANSACTION CONFIRMATION.

FTA Confirmation Statement:
[Bank], as the Funds Transfer Agent (FTA), has reviewed the foregoing Transaction Confirmation and hereby confirms to Seller and Buyer that it shall make payment on behalf of Buyer to Seller for the Power delivered subject to this Transaction Confirmation pursuant to the terms and conditions to its FTA Agreement with Buyer and Seller. FTA further confirms that Buyer's Repurchaser has contracted for the repurchase of a corresponding quantity of Power at the Delivery Point(s) identified above, under the same performance obligation and at a price greater than the price set out above, and that Buyer's Repurchaser has agreed to make payments for such Power directly to FTA.

[Bank] _____
Name: _____
Title: _____
Date: _____

TRANSACTION CONFIRMATION EXHIBIT A-2
FOR IMMEDIATE DELIVERY

Date:

Transaction Confirmation #:

This Transaction Confirmation is subject to the Base Contract between Seller and Buyer dated _____ _____. The terms of this Transaction Confirmation are binding unless disputed in writing within 2 Business Days of Receipt unless otherwise specified in the Base Contract.

SELLER: ***[Marketer]***	**BUYER**: ***[Repurchaser]***
_____	_____
_____	_____
_____	_____
Attn: _____	Attn:_____
Phone: _____	Phone: _____
Fax: _____	Fax.: _____
Base Contract No.: _____	Base Contract No.: _____

Performance Obligation: Firm-LD

Daily Quantity	**Delivery Point(s)**	**Price $/MWh**	**Delivery Period**

Special Condition: FTA Confirmation Statement

Seller: _ _____	**Buyer:**_____
By: _ _____	By: _____
Title: _____	Title: _____
Date: _____	Date: _____

BUYER AND SELLER AGREE THAT THE PAYMENT INSTRUCTIONS MAY NOT BE MODIFIED DURING THE OPERATIVE PERIOD OF THIS BINDING TRANSACTION CONFIRMATION.

FTA Confirmation Statement:
[Bank], as the Funds Transfer Agent (FTA), has reviewed the foregoing Transaction Confirmation and confirms that Marketer has contracted for delivery of a corresponding quantity of Power at the Delivery Point(s) identified above, under the same performance obligation and at a price no greater than the price set out above. FTA will accept payment from Repurchaser on behalf of Marketer under the terms and conditions of the Base Contract.

[Bank] _____
Name: _____
Title: _____
Date: _____

FTA Agreement Instructions

The FTA Agreement is composed of two basic documents, which are Agreement #1 between the Generator/Supplier, the WMBE and the Bank, and Agreement #2 between the Repurchaser and the WMBE. The Bank's administration of these documents occurs at two different phases of each transaction, which are the Transaction Confirmation Phase of Exhibit A-1 and Exhibit A-2, and the Funds Transfer Phase.

Transaction Confirmation (see EXHIBIT A-1 and EXHIBIT A-2)

The Transaction Confirmation process should be completed by the end of the month preceding the month of Delivery. Therefore, the Generator /Supplier will have received from the FTA Bank a fully executed Exhibit A-1 prior to the flow of Power on the first day of the Delivery month.

The Bank will verify eight (8) items on the Exhibit A-1 and eight (8) items on the Exhibit A-2, which are as follows:

1. (1) A-1 & (1) A-2 – the Transaction Confirmation number is the same on both Exhibits.

2. (2) A-1 & (2) A-2 – the Performance Obligation is the same, both "Firm-LD" on both Exhibits.

3. (3) A-1 & (3) A-2 – the Daily Quantity is the same on both Exhibits.

4. (4) A-1 & (4) A-2 – the Delivery Point is at the same place on both Exhibits.

5. (5) A-1 & (5) A-2 – the (5) A-2 price is greater than the (5) A-1 price, so that the deal is on at a positive profit margin.

6. (6) A-1 & (6) A-2 – the Delivery Period is for the same time period on both Exhibits.

7. (7) A-1 & (7) A-2 – both Exhibits have been signed by the Sellers, as provided for.

8. (8) A-1 & (8) A-2 – both Exhibits have been signed by the Buyers, as provided for.

After the above verification process has been completed and if applicable, the FTA confirms that the Supplier is on the Buyer's Authorized Suppliers List, the Bank signs the bottom of the Exhibit A-2 and faxes it back to the Repurchaser and the WMBE, and then the Bank signs the bottom of the Exhibit A-1 and faxes it back to the Generator/Supplier and the WMBE. This completes the Transaction Confirmation phase. This repeats once a year for one-year deals and once a month for one-month deals.

Flow of Funds of FTAA (see Flow of Funds of FTAA diagram)

Prior to the 25th Day of the Month following the Month of Delivery, the Bank will receive Payment Instructions and a copy of the Generator /Supplier's Invoice from the WMBE. On or about the 25th Day of the Month following the Month of Delivery, the Repurchaser will transfer funds into the "WMBE Account Controlled by Bank." The FTA will transfer to the Generator/Supplier the indicated amount of funds on the next Business Day after receipt of payment. The remainder of the funds in the "WMBE Account Controlled by Bank" (i.e., the Profit Margin) will be transferred to the WMBE. This transfer of funds will occur each month following a month in which the Power was delivered in accordance with the operative Exhibit A-1 and Exhibit A-2.