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To: NAESB/NERC/RTO/ISO Negotiating Team

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I would like to congratulate the negotiating team members representing all the parties involved in the development of this MOU for their accomplishments to date. I have reviewed the draft MOU "NERC NAESB RTO-ISO MOU feb13" and have significant concerns in the following areas.

First, it appears this agreement would subject the NAESB WEQ Annual Plan and nearly all NAESB Standards Requests to an initial review and approval by the JIC. However, per section 2 of the draft MOU, any WEQ Annual Plan item and all standards requests should "first" be directed to the ISO Council if the item "would create or require substantial modification to regional transmission tariff policy or market management policy". While all NAESB standards are "voluntary", the reality is that NAESB standards are submitted to FERC, approved by FERC and incorporated into tariffs. We can expect the same in the future with respect to WEQ standards. Therefore, I expect the argument will be that all NAESB WEQ Annual Plan items and standards requests will eventually require substantial modification to regional tariffs and/or market management policies. Therefore, the conclusion will be that WEQ items should "first" be directed to the ISO Council before development by NAESB. I suggest the MOU contain provisions that this argument will not be used to direct NAESB WEQ standards requests to the ISO Council. In this letter I have included some suggestions that should alleviate this concern.

Second, unlike NAESB and NERC, the annual plans and standards development activity of the individual RTOs/ISOs will not be subject to alteration or redirection by the JIC, to NAESB in particular, because the ISO Council will only bring "policy initiatives" to the JIC. The MOU contemplates the JIC will review "each policy initiative proposed by the ISO/RTO Council and their constituent organizations for regional transmission tariff policy or market management policy." A footnote further states that "Such policy initiatives include any market development, modification and coordination efforts, proposals, and tariff filings that affect or may affect business practice standards and reliability standards." The ISO Council has made it impossible for any item it brings to the JIC to be worked on by NAESB since NAESB does not develop "policy" and every item the ISO Council brings to the JIC is a "policy initiative".

Third, I am also concerned that the ISO Council will have one-third of the vote for directing standard development to one of the three organizations while only bringing "policy initiatives" to the JIC. This concept seems very controlling on the part of ISO

Council while not extending the opportunity for NAESB and NERC to direct RTO/ISO standards development to NAESB or NERC.

I would consider the following alternatives for alleviating my concern. First, if the RTOs/ISOs continue to only allow policy initiatives to be evaluated by the JIC, then the ISO Council input to the JIC decision-making process should amount to “advisory”, with no voting capability. Second, I would be agreeable to the ISO Council joining the JIC and having a one-third vote if only standards applicable to the market management policy-making aspects of the Standard Market Design were directed to the ISO Council. All other “policy” concerns would be first directed to FERC for clarification.

I think this contract should not be subject to regulatory approval. Therefore, I strongly suggest the phrase “and to the FERC or other appropriate regulatory authorities in North America” in Section 7 – Termination be deleted.

I am concerned about the contractual obligations among all the parties. In particular, this agreement will be between NAESB, NERC, and the ISO Council. Given the ISO Council is an unknown entity I strongly suggest we learn about with whom we are dealing. Are all the ISO Council members FERC, or Canadian regulatory agency(ies), approved ISOs or RTOs? What are the obligations of each individual RTO/ISO to the ISO Council? Are all the individual RTO/ISO members bound to any determination agreed to by the JIC? What are the obligations of each individual RTO/ISO to the JIC, NAESB, and NERC, given a decision of the JIC? I suggest the ISO Council and all members of the ISO Council be signatories to this MOU and be bound by this MOU.

The MOU acknowledges the FERC’s desire to bring the functions addressed by the ESC and OSC into the functionally appropriate organization and through that organization into a single process for coordinating standard-setting. However, the MOU does not acknowledge which organization those functions should reside. I suggest the MOU be explicit that the ESC and OSC functions reside with NAESB.

Thank you for the opportunity to comment on this important development in the industry. Please call me if you would like to discuss these comments.