



North American Energy Standards Board

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December 23, 2002

TO: **NAESB/NERC/ISO-RTO Group Members: (NAESB)** Bill Boswell - Dominion, Michael Desselle - AEP, Scott Brown - Exelon, Rick Lentz - Tatum CIO, Rae McQuade - NAESB, Jim Buccigross, Steve Corneli; **(NERC)** Glenn Ross, Michehl Gent, David Cook, Tim Gallagher, **(ISO/RTO Group)** Gordon van Welie, Karl Tammar, William Museler, John Marschewski

FROM: Rae McQuade, NAESB Executive Director

RE: **December 18 Meeting Notes**

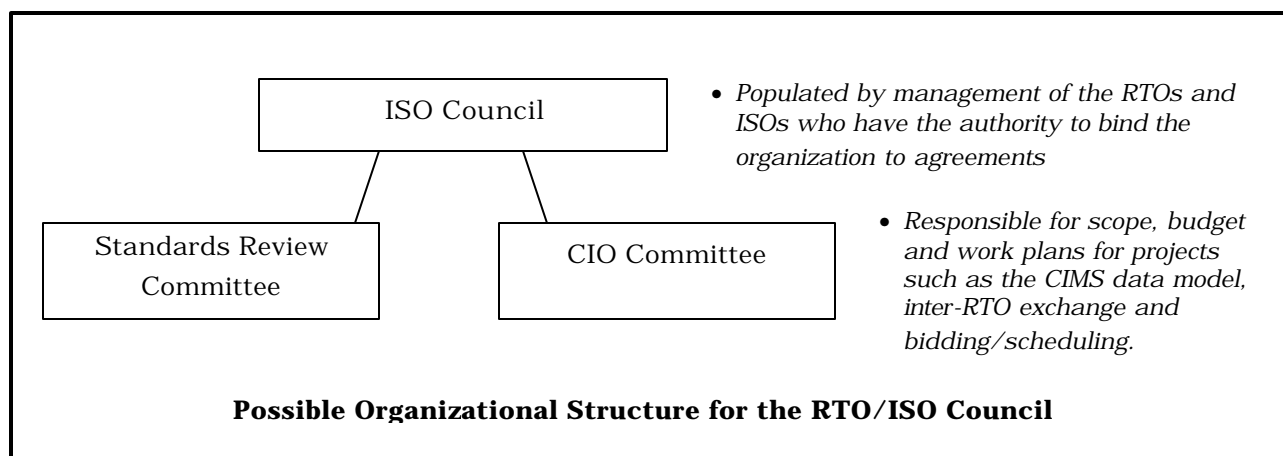
**NAESB, NERC and RTOs/ISOs Negotiating Group
Meeting Notes
Wednesday, December 18, 2002 - 10:00 a.m. eastern**

1. Welcome and Introductions

Bill Boswell welcomed the team to its third meeting and thanked Michael Desselle for hosting the meeting at AEP's offices in Washington. The group agreed that the agenda for the meeting would be (1) a review of the RTO/ISO planned organizational structure, (2) a discussion of the phone call with Chairman Wood and any other contacts made recently, and (3) laying out a conceptual agreement on the framework of the NERC-NAESB-RTO relationship.

2. RTO/ISO Organizational Structure

Mr. Museler noted that the ISOs and RTOs are in the process of forming an ISO/RTO Council with, initially, two committees - a Standards Review Committee and a CIO Committee (currently the Council of CIOs). The ISO/RTO Council would focus on tasks that are currently carried out by individual ISO/RTO staff efforts, but would allow for coordination of such efforts among all ISOs and RTOs. Stakeholder participation and review would continue to take place at the individual RTO level. The committees would prepare the annual work plans for the ISO/RTO Council review and approval and were described in the following manner:



The overall agreement to form the ISO/RTO Council is expected to be approved in January and the governance documents sometime thereafter.



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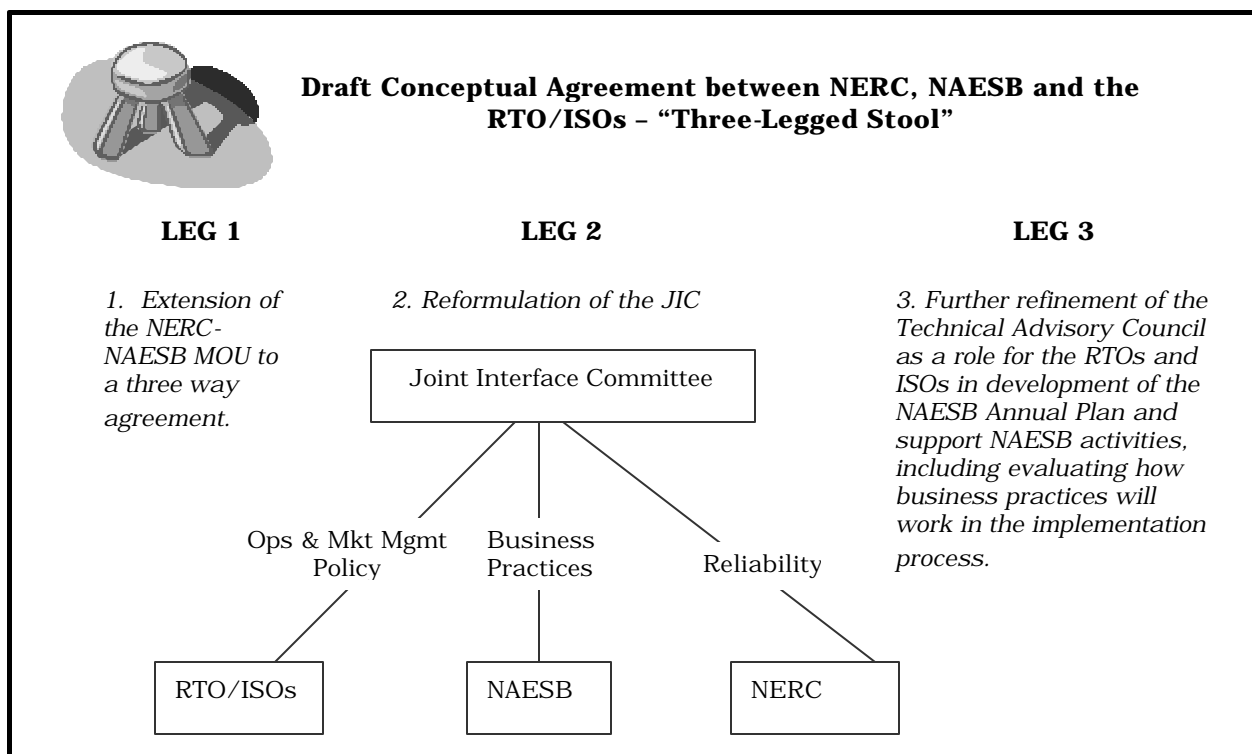
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3. Update on Discussions with Chairman Wood and Other Contacts

On Tuesday, December 10 a call was held to update Chairman Wood's office with regard to the progress to date and plans of the Negotiating Group. The notes from the November 26 meeting were reviewed during the conference call. A main point of the discussion was that while NERC, NAESB and the RTO/ISOs would discuss agreements for how to work together, the group could not pre-categorize standards development for each group. Rather, the groups would describe a process by which the standards development work could be reviewed and then assigned to one or more of the groups. For other contacts, Mr. Cook noted that NERC and NAESB made a joint filing to the FERC on December 16 regarding the NERC-NAESB Memorandum of Understanding.

4. Conceptual Agreement between NAESB, NERC and the RTO/ISOs

The conceptual agreement was explained by Mr. Museler as a "three legged stool", shown in the diagram below, assuming the RTO/ISO Council is officially formed. First, there would be an extension of the MOU signed by NERC and NAESB recently to establish regular communications and provide for review of each group's annual plan, extending the NERC-NAESB MOU agreement to include the RTO/ISOs. Second, the parties will explore including representation by the ISO/RTOs on the Joint Interface Committee (JIC) by others than those already selected by NERC and NAESB to be represented on the JIC.



In discussions, it was agreed that business practice standards development normally would be directed through the JIC efforts to NAESB, and similarly, market management policy normally would be directed to the RTO/ISO organization, and reliability issues normally would be



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directed to NERC. The JIC could be used as a communication tool to avoid or minimize duplication of effort and to coordinate standards development that involves more than one organization. Several examples of market management policy work currently being conducted by RTO/ISOs were reviewed using the above diagram including resource adequacy and elimination of transmission seams. Third, establishment of a Technical Advisory Council as a role for the RTO/ISOs to have input into the development of the NAESB Annual Plan and support NAESB activities, including evaluating how specific business practices will work in the implementation process. The general sense was that the RTO/ISOs were no longer interested in the creation of a sixth segment in the Wholesale Electric Quadrant of NAESB and that the conceptual agreement outlined above was the preferred approach. The group believed that ongoing review and coordination of the annual work plans of NAESB, NERC, and the ISO/RTO Council would be a very effective way of minimizing duplication of effort among the three groups.

5. Conclusions and Next Steps

A Drafting Committee composed of Michael Desselle and Steve Corneli from NAESB, Karl Tammar and Jim Douglas from the ISOs and Dave Cook and Glenn Ross from NERC were identified. They should have a draft three-way MOU for discussion distributed to the larger group by January 9. The next meeting of the group is January 14 in Dallas. The group identified several points of agreement as the basis for further discussions:

- (1) Develop a draft three-way MOU including a proposal for the reformulation of the JIC including the following components:
 - High Level description of NERC, NAESB and ISO/RTO responsibilities
 - Sequencing of efforts among the three groups
 - Identification of time constraints
 - Determination of when FERC policy calls are needed
 - Coordination of annual plan reviews among the three groups
- (2) NAESB and the RTOs will further develop a separate Technical Advisory Council document.
- (3) The three groups should exchange comments on their respective annual work plans (target: end of January).
- (4) The target for completing the discussions should be March 2003, in time for the NAESB Board of Directors meeting.

The following meetings were scheduled on November 26:

January 14 from Noon to 5 pm central - hosted by AEP at the DFW airport. For further details, the meeting will be held at the DFW Hyatt Regency Hotel from Noon to 5:00 p.m. in Room 3163. Conference calling will be available.

February 4 from Noon to 5 pm central - hosted by NAESB in Las Vegas.

February 26 from Noon to 5 pm eastern - hosted at AEP's offices in Washington D.C.

Participation via conference calling will be made available for these meetings to accommodate those unable to travel. However, depending on the progress made on January 14, the additional meetings may not be needed.

All agreed that the notes from this meeting would be forwarded to Chairman Wood's office once finalized, and a conference call scheduled for after the January 14 meeting, when more progress has been made toward the conceptual agreement.



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6. Adjourn

The meeting adjourned at 2:00 p.m. eastern.

7. Attendance

NAESB Bill Boswell
Michael Desselle
Scott Brown
Rick Lentz
Rae McQuade
Steve Corneli
Jim Buccigross (phone)

NERC Glenn Ross
David Cook
Tim Gallagher (phone)

ISOs Gordon van Welie
Karl Tammar
William Museler
John Marschewski (phone)