



September 10, 2004

Mr. James Cargas
Deputy Director
NAESB
1301 Fannin, Suite 2350
Houston, TX 77002

Re: Draft Request for Standards on the Replacement of Contract Paths with Flow-Based Transmission Service

Dear Mr. Cargas:

Mirant suggests that section 3, "Description of Proposed Standard or Enhancement", be modified to shift the standards' focus to the development of business practices for flow-based transmission service. As presently written, the standard seems to focus on creating business practices to be used when replacing contract path with flow-based transmission service. As a suggestion, the section could be modified to simply read:

"Establish business standards for flow-based transmission service"

Mirant would also like to point out that a shift from contract path to flow-based transmission service has not only economic implications but significant reliability issues as well. As such NAESB should ensure excellent coordination with NERC as it works on this project. The subcommittee will need to debate and reach resolution on questions such as:

1. What are the "rights" associated with transmission use?
2. What are the "rights" associated with transmission ownership? (How does a merchant transmission owner sell "rights" and recover revenues in a flow-based scheme.)
3. How is price certainty addressed?
4. How is reliability benefit determined and value assessed?
5. Can a flow-based method result in allocation of costs to network loads within zones?

Thank you for the opportunity to comment.

Sincerely,

Alan Johnson
Manager Business & Reliability Standards