



NORTH AMERICAN ENERGY STANDARDS BOARD

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Via email
February 11, 2008

TO: Gerry Adamski
cc: NERC: Andy Rodriguez, David Cook, David Whitely, Larry Akens
NAESB: Michael Desselle, Kathy York, Clay Norris, Narinder Saini, Ed Skiba, Bill Boswell, Bill Gallagher, Lou Oberski, Paul Sorenson, JT Wood
FROM: Rae McQuade
RE: NERC Standards Drafting Team Efforts on BAL-006

Dear Gerry –

First, I want to thank Andy Rodriguez and Larry Akens for the preview of the anticipated work for the recently created standards drafting team to address standards development for Balancing Authority Controls (Project 2007-05).

From the Standards Authorization Request (SAR), we understand that this work will entail review and possible modifications to BAL-002 - Disturbance Control Performance, BAL-004 – Time Error Correction, BAL-005 – Automatic Generation Control, and BAL-006 - Inadvertent Interchange. In addition, the SAR noted that the Resources Subcommittee believes there is sufficient electric power industry interest to review, re-evaluate, specify, expand, and determine the proper location of each reliability requirement and business practice associated the following NERC Standards and NAESB business practices:

- Time error correction (NERC BAL-004 and NAESB WEQBPS — 004-000),
- Automatic Generation Control and ACE equation special cases (NERC BAL-005 and NAESB WEQBPS — 003-000), and
- Inadvertent interchange (NERC BAL-006 and NAESB WEQBPS — 005-000).

(Please note the numeric references are incorrect and the correct ones are shown below)

The SAR also gave direction to the drafting team to review all of the requirements in the existing standards and make a determination with stakeholders on whether to:

- modify the requirements to improve clarity and measurability, while removing ambiguity,
- move the requirement (into another SAR or Standard or to the certification process), and
- eliminate the requirement (either because it is redundant or because it does not support bulk power reliability).

From discussions with both Andy and Larry in a recent NAESB Standards Review Subcommittee meeting, it is our understanding that while the scope noted above could be quite broad, it is not. The scope could be construed as either NERC requesting that changes are needed for NAESB business practices, or indeed a wholesale deletion of NAESB business practices with a re-categorization of those standards as reliability in nature -- that is not the case to date. We understand from the review that none of the anticipated work taken on by this drafting team would require changes to the NAESB WEQ standards for ACE Equation Special Cases (WEQ-005), Manual Time Error Correction (WEQ-006), or Inadvertent Interchange Payback (WEQ-007). The Version 0 standards have been filed by NAESB with the FERC and are mandatory for entities regulated under the Federal Power Act. Version 1 of these standards was filed on December 21, 2007 and we are awaiting FERC action on our submittal. With the current emphasis on deadlines for Order No. 890 for both NERC and NAESB, we find the news that NAESB standards are not be affected to be very welcome, as the NAESB WEQ subcommittees have a primary focus of meeting the Order No. 890 deadlines.

In the event that the NERC drafting team determines in its development work that NAESB standards are indeed impacted, it is also our understanding that we would be informed. At that point, NERC's and NAESB's executive management would discuss how best to proceed.

We value the candor of both Andy and Larry in their reviews, and we are encouraged by the open communication in the two groups whereby we can each explain the issues facing our two organizations. We have had several discussions in the past regarding the history of this SAR with NERC executive management and very much appreciate the sensitivity shown by NERC in addressing these items.

With Best Regards,

Rae

Rae McQuade, President, North American Energy Standards Board
