

## NARUC PRINCIPLES FOR A WHOLESALE ELECTRIC STANDARDS BOARD

- **The best functioning market is worthless if system reliability is not maintained.**
- **A single, industry-based organization that produces wholesale electric standards but is composed of separate committees to address reliability and business practices is needed.**

There are pure reliability rules, pure business practices and an intersection of the two. Unfortunately, very different skills are required to consider reliability rules and business practices. Therefore, the staff required to populate committees to consider standards is very different depending on the issues. The ideal organization would have a reliability committee, a business practices committee and an ad hoc committee structure that combines both for proposed standards that cross the two boundaries.

- **The standards organization must have fair, open, appealable and flexible processes, preferably with ANSI certification to ensure these principles are continued through time.**

Confidence in the process is paramount.

- **States must have a full voting right in the standards setting process.**

States play a critical role in ensuring reliable electric service by supplementing reliability standards and establishing effective price signals, and overseeing the formation and operation of RTOs. State staff routinely participates and votes on proposed standards in forums such as the IEEE without committing any individual state to adopting or opposing a particular standard. While not all states commissions and commissioners are interested or able to participate in a stakeholder process, some States are both interested and willing to do so. With industry restructuring, State commissions are often the only stakeholder with an obligation to protect the rights of ratepayers and are in a position to view the impact of standards on both jurisdictional entities and the ultimate electric customer.

- **The business standards process must have a linkage with the wholesale gas and retail electric standards processes.**

Communication and coordination is required among these groups to ensure that free flowing energy markets are not impeded.

- **Provision must be made for a transition to the new board such that reliable service is not impacted and that retail ratepayers are not harmed.**
- **Must allow for regional differences.**

Due to geography, economics and regional preferences, systems around the country have different designs. Standards should be designed at a high-level with actual implementation strategies customized within regional areas so that un-intentional and un-necessary costs are avoided.

- **Challenges to state-mandated standards go directly to FERC**

Standards originating from a state regulatory proceeding are not subject to a private organization's process.