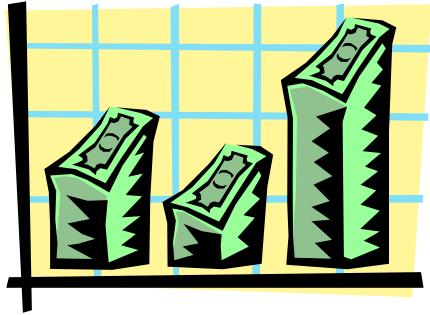


Wholesale Electric Standards Model

How the WESM Process would be
used to develop reliability and
wholesale electric business
practice standards

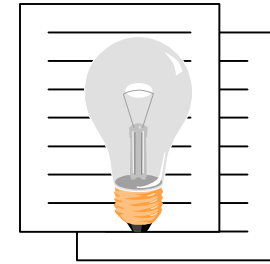
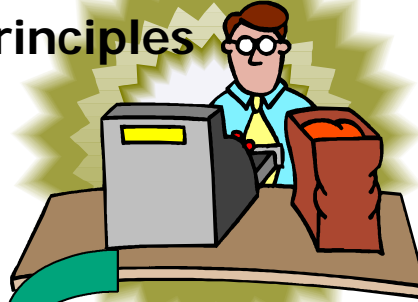
Cornerstones of WESM Proposal

- Fair, balanced, open, and inclusive process
- Stakeholder-oriented vs. committee-oriented
- Weighted-segment voting by all stakeholders vs. voting by assigned/elected delegates
- Entities may vote in all segments in which they qualify and register
- No one segment can block a vote
- Works within context of NAESB
- Flexible, responsive, and adaptable to change
- Will be ANSI accredited

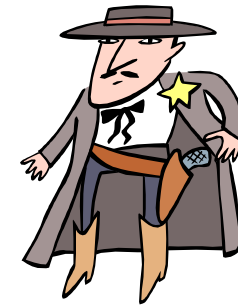


Business Practice Principles

Market Interface Principles

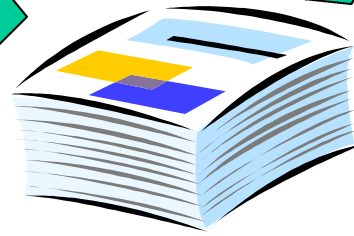


Reliability Principles



Compliance

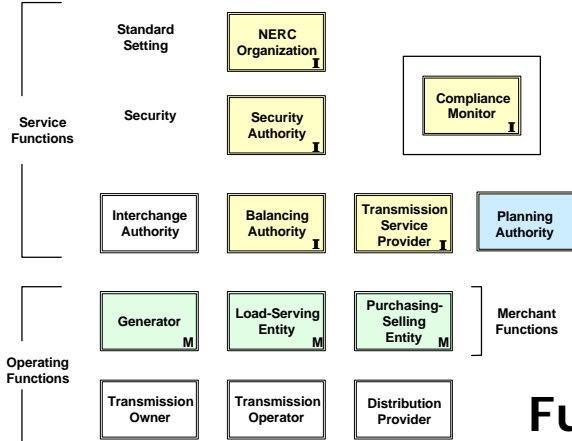
Organization Standards



Functional Model



WESM Standards Process





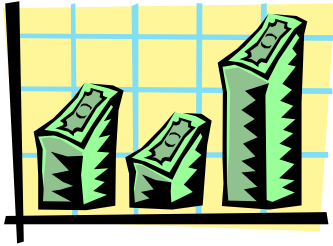
Reliability Principles

- Interconnected systems planning
- Frequency and voltage control
- Information availability
- Emergencies and restoration
- Communications monitoring and control
- Personnel training and certification
- Wide area security



Market Interface Principles

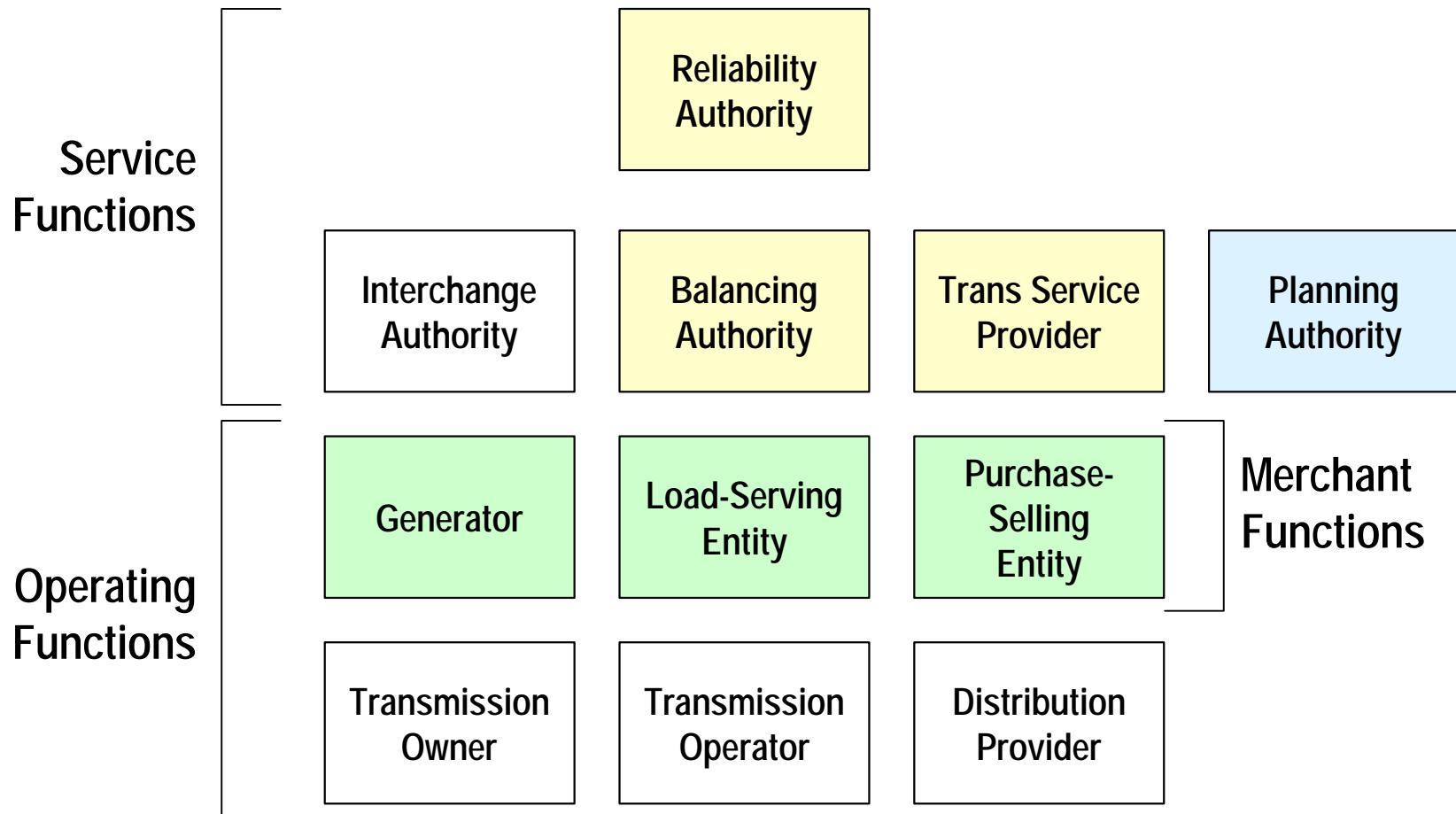
- Reliability essential to North American economy
- No unfair advantage to any market participant
- Neutral to specific market structures
- Market solutions for complying with standards
- No disclosure of commercially sensitive information; equal access to other information



Business Practice Principles

- Adequate supply and delivery systems
- Open and comparable access and use of transmission – interchange of energy, capacity, and energy-related services
- Efficient and liquid electricity markets
- Efficient processes

NERC Functional Model



What Standards Address

- ✓ Performance Requirements – initial SARs developed
- ✓ Certification of Authority Functions – RA, BA, IA, and TSP – under development
- ✓ Uniform business practices and communications protocols - TBD

Initial SARs for Core Reliability Requirements

- Future transmission plans
- System limits
- Control & protection
- Connection Requirements
- Resource/demand balance
- Operate within system limits
- Coordinate interchange
- Coordinate operations
- Response to emergencies
- Response to blackouts or islanding
- Analyze disturbances and unusual conditions

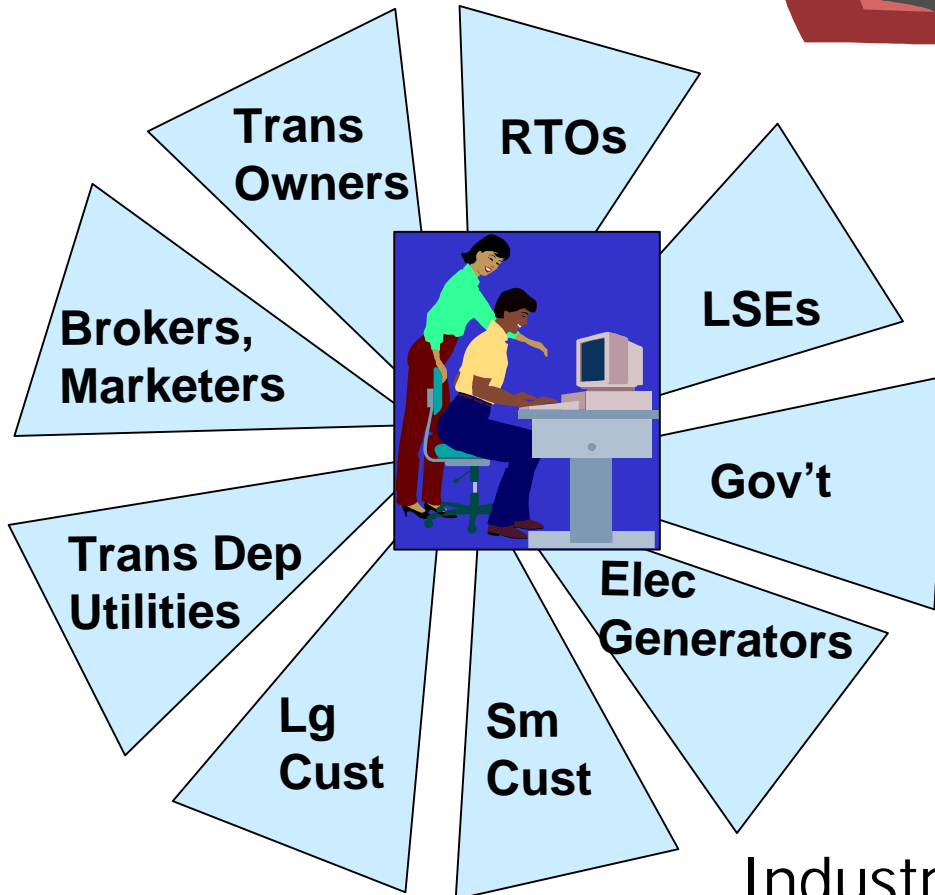
Players



SAC



Standards
Process
Manager



Drafting
Teams

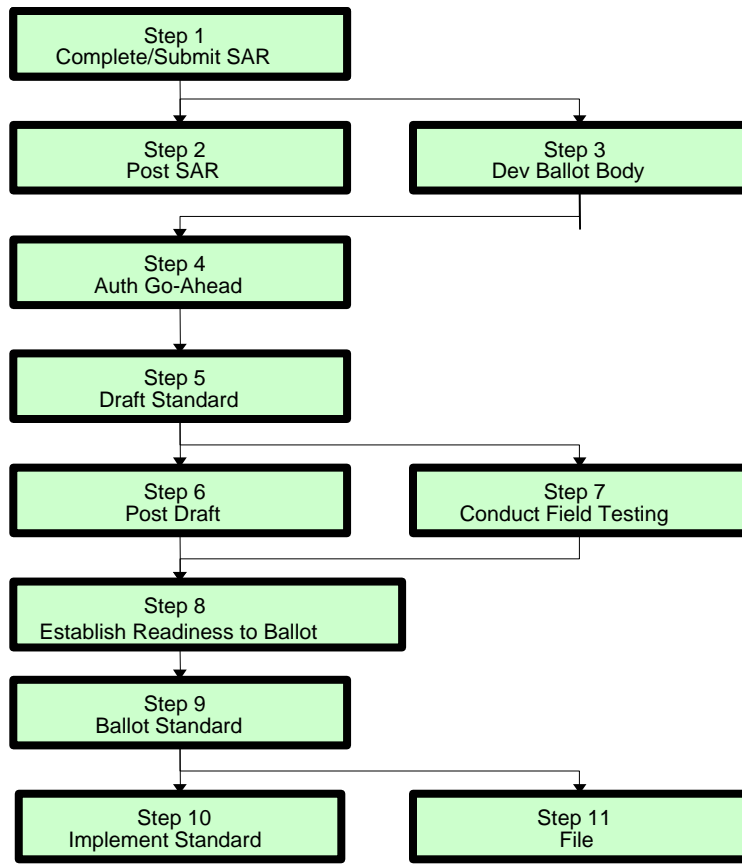


Industry
Stakeholders



SAR
Requestors

A Day in the Life of a Standard - WESM Proposal



Key Participants in Standards Development

SAC - Standards Authorization Committee

SPM – Standards Process Mgr

SAR – Standards Authorization Request

SAR Advisory Team

SDT - Standards Drafting Team

Registered Ballot Body and Ballot Pool

Status of WESM Proposal

Task Force changes made to the
WESM Proposal
as of January 28. 2002

Comments on WESM Proposal

- 30-day comment period ended Jan 8
- Comments from 70+ entities
- Wide range of views on:
 - Whether to expand NERC Role
 - Segments and Voting Procedures
 - Relationship and Roles of NERC and NAESB

Areas of Task Force Consideration

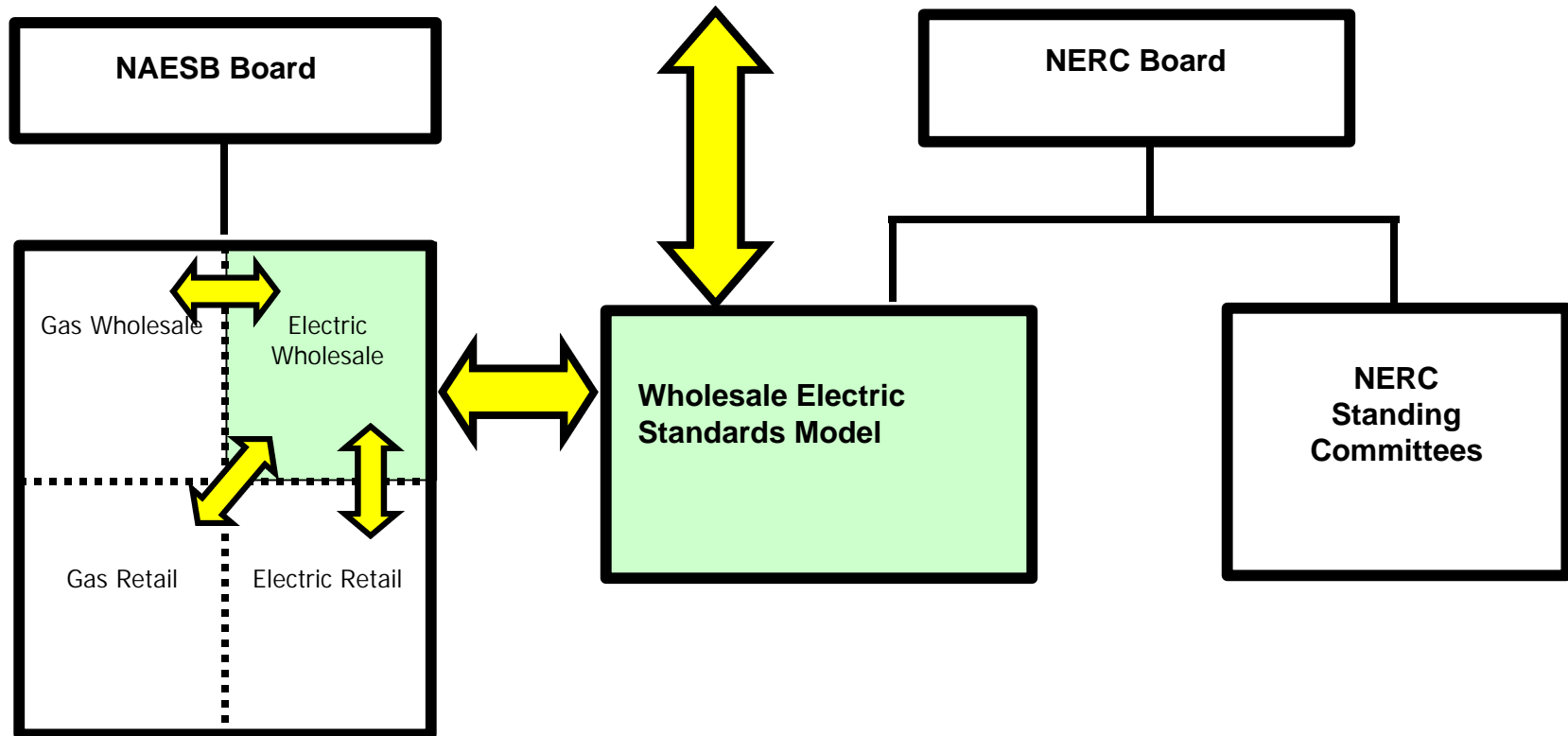
- Role of NERC Board
- Segments and Voting
- Interface with NAESB
- Role of NERC Standing Committees
- Funding

Role of NERC Board

- Adopt, manage, review, and revise process
- Pursue accreditation by ANSI
- Establish appeals process
- File approved standards with regulators
- Assure that “public interest” considered in integrating reliability and commercial outcomes
- Approve budget and funding mechanism
- Respond to requests by regulators
- Represent wholesale electric quadrant in NAESB
- Adopt standards for NERC compliance program

Role of NERC Board

Wholesale Electric Standards Filed
with Regulators



Segments and Voting

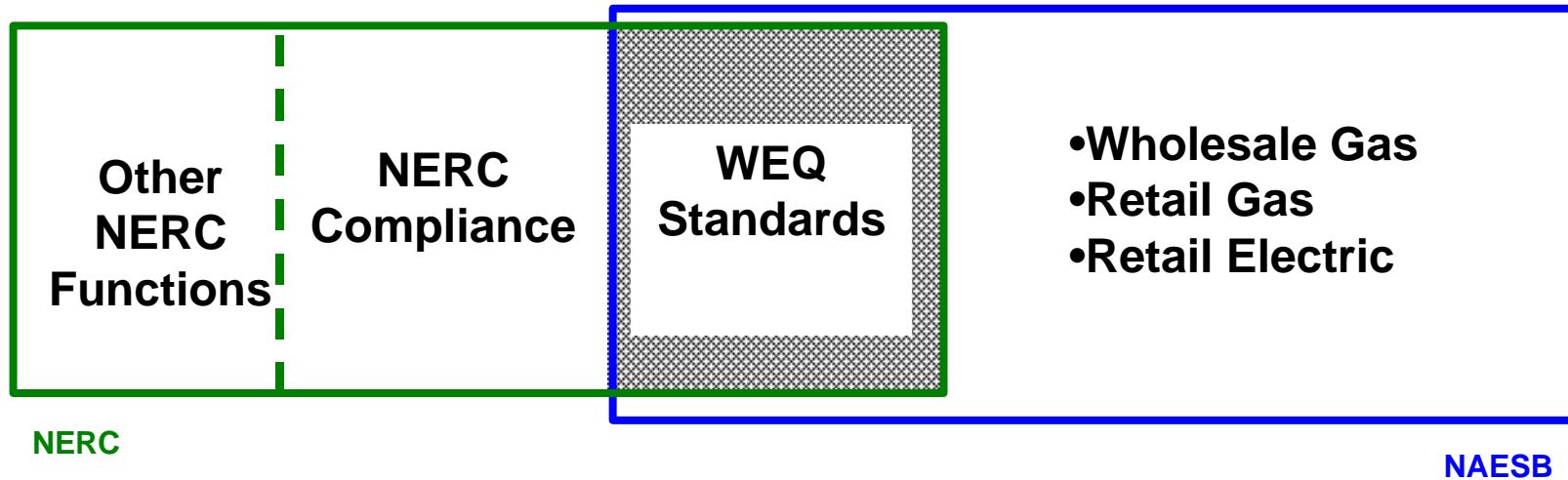
- Remove limitation on integrated entities
- Clarify segment guidelines
- Initial 9 segments reasonable starting point
- Board to review experience regularly and adjust as needed

Interface with NAESB

- NERC Board oversees WEQ of NAESB
- NERC SAC serve as WEQ Executive Committee, but not vote on WEQ standards
- WEQ will prioritize own standards, establish plan, budget, funding
- Participate in NAESB Triage function

Interface with NAEB

Wholesale Electric Standards
Filed with regulators



Role of NERC Standing Committees

- Technical advisors to NERC Board
- Request development of standards
- Assist in implementing standards – tools and systems
- Encourage participation in standards process
- Technical resource pool for drafting
- Focus on technical oversight issues
- Feedback mechanisms on standards that have been implemented
- Support other NERC non standards functions

Funding

- Independent of other quadrants of NAESB
- Fund through NERC Budget for one year
- Final funding mechanism to be flexible and geared to encourage participation by resource-limited entities

Next Steps for NERC

Feb 8 – Task Force to finalize proposal

Feb 19 – Stakeholders Committee, an executive level cross section of the industry, to debate proposal and advise Board

Feb 20 – Board to decide NERC position

Beyond Feb 20 – NERC to participate in industry collaborative to reach consensus for filing with FERC by March 15