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March 15, 2002

VIA EMAIL

The Honorable Magalie Roman Salas
Secretary
Office of the Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Re: Docket No. RM01-12-000

Dear Secretary Salas:

Enclosed please find one electronic filing in the above referenced proceeding.

Respectfully submitted,

/S/
Michael Reddy
Policy/Research Assistant

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Electricity Market Design and Structure

Docket No. RM01-12-000

**FILING OF THE ELECTRIC POWER SUPPLY ASSOCIATION ON THE
FORMATION OF A STANDARDS DEVELOPMENT
ORGANIZATION FOR THE WHOLESALE ELECTRIC INDUSTRY**

This filing responds to the Federal Energy Regulatory Commission's (Commission or FERC) December 19, 2001, Order requesting that the "various participants in the wholesale electric industry agree on a single standards organization to develop wholesale electric standards."¹ Despite the best efforts of all involved in the Edison Electric Institute (EEI)-sponsored joint industry collaborative meetings, it has become clear that a single industry consensus for combining--through coordination and otherwise--all commercial and reliability standards hoped for by the participants and anticipated in FERC's December 19th Order is not possible at this time. The need to create a single coordinated process that recognizes and accommodates the unavoidable linkage that exists between reliability requirements and business practices is the largest factor that separates the Electric Power Supply Association (EPSA)² filing from others the Commission may receive.

¹ Order Providing Guidance on the Formation of a Standards Organization for the Wholesale Electric Industry," RM01-12-000, 97 FERC ¶ 61,289 (December 19, 2001) (December 19 Order).

² EPSA is the national trade association representing competitive power suppliers, including independent power producers, merchant generators and power marketers. EPSA members provide reliable, competitively priced electricity from environmentally responsible facilities in U.S. and global power markets. EPSA seeks to bring the benefits of competition to all power customers. The comments contained in this filing represent the position of EPSA as an organization, but not necessarily the views of any particular member with respect to any issue.

The cornerstone of this single process is that while policy formation and standard-setting may be segregated into separate entities, meaningful coordination requires that these activities be united and subject to FERC review to ensure the proper integration of reliability and market objectives. As noted above, this characteristic, more than any other, separates EPSA from others who participated in the EEI-sponsored collaborative meetings. EPSA believes that the process outlined below provides FERC with the structure and process requested in its December 19th Order.

Perhaps the most conspicuous and intractable dispute throughout the industry collaboration was the frustrated attempt to reconcile opposing views regarding how to define or otherwise contain the scope of issues deemed to constitute “reliability.” Indeed, this apparent dilemma is a critical defect in the two organization/two process approach. The one process approach EPSA recommends herein demonstrates that the “reliability vs. markets/business practices” view, and the disjointed standard development it would promote, is misguided and counterproductive. Among other reasons, fragmenting standards development would seriously compromise FERC’s essential role in assessing and accounting for the economic consequences of reliability requirements.

Reliability policies, or the “What” component of an energy standard that sets essential physical “boundary” conditions, are compatible with -- in fact, imbedded in -- market design and commercial activity. Clearly, the issues associated with these areas must be unified and addressed in a comprehensive manner. To accomplish this, working within the North American Energy Standards Board (NAESB), the industry will complete energy standards by developing the “How” component to implement the

reliability policies North American Electric Reliability Council (NERC) develops.³

Reliability expertise must focus on developing the *policies* that provide the underpinning for effective business practices that will promote and sustain well-functioning, competitive--and reliable-- markets. Moreover, it is essential for FERC to take control of the entire process to create a paradigm wherein all of these important concerns are harmonized with market-related policies it develops.

After participation in an extensive series of industry meetings designed to reach consensus on such a proposal, EPSA believes that the proposal set forth in Section (C) below meets the requirements set forth in the December 19th Order. Specifically, this proposal is consistent with EPSA's strong belief that, in the context of a competitive wholesale market for electricity, one cannot separate reliability requirements and their impact upon market operations from the process of developing business practice standards – or vice versa.

Therefore, this proposal includes: (1) the structure and characteristics of a standards organization that will develop wholesale electric standards and communication protocols; and, (2) a process that will coordinate wholesale electric standards development with policymakers who will provide both a market design and reliability framework for such standards. However, EPSA believes that, without further guidance from and involvement by the Commission, the industry will not be able reach consensus on a standard-setting process and related coordination that is workable and that meets the needs of the Commission and the industry.

³ As used here, "What" implies the capability and responsibility for defining grid reliability or standard market design, while "How" implies the development of standards or market practices that are intended to implement the policy in a manner consistent with the policy's objectives and does not conflict with or inhibit market functionality.

I. Request for Technical Conference to Address the Limited Issue of Integrating Reliability and Commercial Aspects of Standard Setting Process

EPSA believes that the collaborative process went a long way towards achieving consensus in many important areas. EPSA believes that many industry stakeholders will generally agree, that (1) NAESB should be designated as the standard-setting body for the wholesale electric industry; (2) the NAESB governance and standard-setting processes provide an appropriate model for an electric standard-setting organization; (3) reliability requirements have economic consequences that must be recognized and properly accounted for in establishing electric industry standards; and (4) NERC should continue to exercise responsibility for formulating the core reliability policies and should actively participate in the wholesale electric standards development process at NAESB.

The major issue that divides EPSA from others who support these fundamental principles is the manner in which reliability policies are transformed into industry standards. EPSA believes that it is essential that there be a single standard-setting process with NAESB, which integrates the reliability and commercial implications of standards. Other industry participants are likely to propose that responsibility for setting reliability standards be vested entirely within NERC, and that NAESB's role be limited to developing business practice standards. Industry Stakeholders recognize FERC's desire that standard-setting be coordinated, although they have different views on how to accomplish this. EPSA believes that any effective coordination mechanism must promote, to the maximum extent possible, the use of one process.

EPSA understands the importance of grid reliability and the role that NERC has and should continue to play in forming reliability-related policies. Indeed, reliability

of the grid is the foundation of robust electricity markets. However, EPSA contends that there is not, now nor has there ever been, a natural conflict between operating requirements supporting reliability and business practice standards. It is extremely troubling, however, for reliability policies to be implemented without the benefit of standards that recognize and account for the economic consequences of these otherwise acceptable reliability policies.

Moreover, in the context of the Commission's directive in the December 19th Order, EPSA disagrees that the reliability and market dimensions inherent in most, if not all, energy standards and practices can be neatly divided and apportioned between two standard-setting organizations. EPSA has purposely adopted terminology that contrasts "policies" from "standards" because these are two different aspects of the standard-setting process that are not often recognized.

This distinction is apparent, for example, in the context of the Commission's planned standard market design. Thus, the Commission may adopt a policy that all scheduling deadlines be standardized, yet there are many ways to standardize deadlines and the Commission would task the standard setting organization with developing those deadlines, subject to procedures approved by the Commission. Similarly, NERC currently adopts policies with respect to reliability matters and the physical aspects of system operations such as those relating to frequency, thermal and voltage limits. But there may be many ways to implement those policies. More important, there may be commercial implications that vary among the standards options.

EPSA emphasizes that adopting a single standard-setting framework would crystallize NERC's role in the process of setting those standards. Indeed, the process

described below ensures that, after NERC formulates its policies and a Request for Standard is initiated with NAESB, NERC's representatives will participate in the standard-setting process throughout each step. They will have the opportunity to actively contribute to the extent its expertise is required. Moreover, FERC will be able to ensure that NERC's policies are properly reflected in the standards that are filed with the Commission. Fundamentally, this is a logical extension of, and directly related to, FERC's directive in Order No. 2000 that "reliability and market interface practices must be compatible with each other."⁴ Indeed, NERC itself has observed that "short term reliability of the interconnected bulk power system and the operation of increasingly competitive bulk power markets have become inseparable."⁵

EPSA requests that the Commission examine these issues through a technical conference to provide a forum to discuss how the reliability and market dimensions of standard-setting can be integrated. EPSA does not believe that this is an insurmountable problem; nor would it preempt NERC's reliability role. If not addressed, these fundamental differences could result in repeated filings at FERC by many parties who believe that reliability policies and requirements have a profound and significant impact on market design and commercial activities. It has become clear, however, that without guidance and direction from the Commission, this issue cannot be resolved through a consensus process.

Therefore, EPSA requests that the Commission establish a technical conference to discuss the limited issue of how to integrate the reliability and commercial aspects of standard-setting.

⁴ Regional Transmission Organizations, III FERC Stat. & Regs. ¶31,089 (Dec. 20, 1999) (Order 2000) at p. 31,167.

⁵ Id.

II. Further Comments

A. The Process Leading to this Filing

The Commission's December 19th Order provided a focal point for an emerging perception among many industry participants that there is a need rethink the standards development process for the wholesale electric industry. The Commission observed the success of the Gas Industry Standards Board (GISB) as the standard-setting organization for the wholesale natural gas industry, explaining that it was "very pleased with the consensus development process" used by GISB.

Before the Commission issued the December 19th Order, GISB had already amended its charter to enable it to become the standard-setting framework for all four "quadrants" of the energy industry -- wholesale gas; retail gas; retail electric; and wholesale electric -- and is now known as NAESB. The proposed NAESB vision was met with an alternative proposal from NERC known as the Wholesale Electric Standards Model (WESM). In response to the December 19th Order, the industry engaged in many weeks of debate and discussion⁶ and, ultimately, a broad consensus converged around the NAESB process as the model that would best serve the needs of the industry.

⁶ Following on meetings held at DOE and FERC in December, 2001, and January, 2002, the Edison Electric Institute (EEI) sponsored meetings, open to all industry participants, between February 1st and March 8th in various cities. Meeting notices as well as relevant documents were posted on both the NAESB and EEI websites. Participants included a wide range of industry participants from all segments of the industry, including non-jurisdictional utilities, Canadian entities and state regulators and EPSC members. Commission staff also attended most of the meetings. A professional facilitator conducted some of the later industry meetings to assist industry participants in focusing on issues and reaching consensus on a proposal.

All industry participants were cognizant of the physical differences in the electric and gas industries, and the need to adapt the GISB process to reflect these differences. However, as noted earlier, EPSA holds that there is not now, nor has there ever been, a natural conflict between operating requirements supporting reliability and standards for commercial activities. Nonetheless, implementing reliability policies without due consideration of the economic consequences of these otherwise acceptable reliability policies is extremely problematic, and could potentially delay or undermine the Commission's effort to establish well-functioning, competitive markets. For this reason, a central goal of any standard-setting process is to give equal recognition to both commercial and reliability concerns.

As the meetings progressed, consensus began to converge around seven concepts that could satisfy this goal: (1) NERC should be responsible for developing core reliability policies for the North American grid; (2) the NAESB Wholesale Electric Quadrant (WEQ) should be formed and become the responsible entity for wholesale electric standards and communication protocols; (3) it is impossible to segregate reliability requirements from the economic impact they have on all industry participants; (4) close coordination between wholesale electric industry policymakers, particularly FERC and NERC and NAESB is essential; (5) while not optimal, it is possible that policy formation and standards development can be accomplished within two separate processes if both processes are open, transparent, and ANSI-certified; (6) neither NERC nor NAESB should have veto power over the work of the other; and, (7) all wholesale electric standards must be submitted for FERC review and approval prior to becoming mandatory within the industry. There were also several issues that the

stakeholders were unable to resolve in the timeframe provided and therefore are specifically reserved for debate and resolution at a later time.⁷

B. Options Considered

Three basic organizational options were considered: (1) investing a single organization with the responsibility for forming policies and developing standards for both commercial and reliability aspects of the wholesale electric market; (2) establishing an organization that would implement a single process to transform policies developed by other bodies into commercial and reliability standards; and (3) setting up two separate organizations, one developing core reliability principles (*e.g.*, NERC's "Organizational Standards" process) and the other focusing upon business practice standards, each using their own processes to accomplish these activities.

The effectiveness of the third option would depend upon meaningful, extensive coordination between the two separate organizations to integrate reliability and commercial concerns into all resulting standards for the wholesale electric industry. We believe that this scenario is unnecessary and extremely untenable. Deprived of a clearly defined scope and mutual, unified objectives, the "coordination" process would likely result in creating the same interplay of reliability-market issues—only in two separate processes. Such a process is inefficient and self-defeating.

Therefore, EPSA supports the second option as providing the most rational, sound and workable means of achieving competitive markets that are both well-functioning and reliable. This option allows entities such as FERC and NERC to

⁷ These issues include, but may not be limited to: 1) the specific segment makeup of the NAESB WEQ; 2) voting rights and procedures for the NAESB WEQ; 3) funding for the ongoing work of the NAESB WEQ; and, 4) certain features currently contained within the NAESB bylaws.

perform the very important work of policy formation, but relies on a single standard-setting process within NAESB to transform those policies into industry standards. Moreover, Option 2 reflects and accommodates the fact that reliability and commercial interests are inextricably linked reduces the strain upon stakeholders with limited resources, and satisfies the requirement of the Commission's December 19th Order for "one-stop shopping."

C. The Single Process Proposal

As mentioned above, the proposed process for standards development is predicated on several important considerations. It is the unanimous support for each of these considerations that ultimately separated EPSA, and several others filing separately from the remaining participants in the EEI-sponsored "Joint Industry Collaborative," many of whom could support some but not all of these positions. First, we hold that reliability and business standards have nearly indistinguishable overlap in terms of issues and impact, thereby necessitating a single process for standards development – even if two organizations continue to exist. EPSA believes that this option can produce a single process for wholesale electric industry standards development while accommodating the policies that are developed by FERC (*e.g.*, standard market design), NERC (*e.g.*, reliability and security of the electric grid), and other appropriate policy-making entities. Further, EPSA is intent on making the coordination between NAESB and NERC as seamless as possible by involving NERC extensively in the NAESB standards development process. It is strongly believed that the approach outlined here is faithful to the December 19th Order yet, in the context of

the NERC Board Resolution, still satisfies the majority sentiment for “one-stop shopping” for all standards.

Second, the mindset throughout the meeting process has been based on the assumption that the process for wholesale electric standards development will occupy the wholesale electric quadrant under the NAESB framework.

Third, there must be a continuous effort to seek consistency and equity between commercial and reliability interests. In this manner, EPISA believes that this proposal is fully compliant with the December 19th Order’s emphasis on coordination between commercial and reliability interests. Fourth, EPISA has been virtually unanimous in their opinion that the consensus process should decouple standards development and policy development, as well as standards development and compliance/enforcement. As will be demonstrated, the consensus approach outlines an equitable division of responsibilities across both of these two dimensions.

Finally, EPISA has reached preliminary consensus on how the coordination between the NAESB WEQ and NERC might actually be realized. This coordination will manifest itself on two dimensions – development of core reliability policy, which will fall exclusively in the NERC domain, and implementation of those core reliability policies in the context of development of wholesale electric industry standards and broader business practices, which will come under the auspices of the WEQ. In short, the NERC development of core reliability policy will encompass the “What” of the standards development process and will be a component of that broader process. The NAESB WEQ development of all wholesale electric industry standards and communication protocols will encompass the “How” component of reliability policy and market practices

implementation in the broader standards development process. What follows are the details that many industry stakeholders expressed a willingness to support during the EEI-sponsored collaborative meetings. A diagram representing the process described herein is included as Attachment A.

Step 1 – Request for Standard

The standard-setting process begins with a Request for Standard (RS). Any party may submit a RS form to the NAESB office. The form will be rigorous and should discourage inappropriate submittals. The content of the RS application will be based on a combination of the existing NAESB and NERC request forms; that is, in addition to the normal boilerplate descriptive information on the requestor and the RS itself, a requestor would be required to provide information such as:

- Purpose, justification and use of the proposed standard
- Reliability/commercial policies to which the standard applies
- Entities to which the standard applies
- Description of tangible benefits
- Implementation plans and costs
- Legal considerations
- Entities willing to test the standard
- Regional impacts and considerations, as appropriate

These are proposed elements for RS. They will be more fully developed as the WEQ creates its formal quadrant procedures. A key understanding among EPSC members is that policy development is segregated from standards development. Further, policy development for both market design and other commercial considerations (FERC and other national regulatory bodies, such as the Canadian NEB) and core reliability policies (developed by NERC) would provide a necessary foundation for any and all standards, and therefore must be available prior to standards

development or at least be developed contemporaneously with RS which relies upon such a foundation.

Step 2 – Posting and Initial Triage

The NAESB staff posts the RS on its website and simultaneously submits it to the Triage Committee, which reports to the full NAESB Executive Committee, which includes balanced representation from all quadrants and segments within quadrants. The posting of the RS will be open for a 30-day public comment period. Concurrently, the Triage Committee recommends the disposition of the request – *i.e.*, which quadrant(s) should oversee its development, as well as the level of urgency for development. The Triage Committee recommendation is submitted to the full Executive Committee, which votes to support or modify the recommendation, again on a balanced, simple majority vote. The NAESB by-laws cover standards development that encompasses more than one quadrant. For illustrative purposes, however, the remainder of this section covers those requests for standards that would apply solely to the WEQ.

Step 3 – Initial Policy Screen

The WEQ takes ownership of the RS at this point and performs the initial policy screen. The RS policy screen consists of an initial review by a combination of reliability and commercial interests (including NERC, FERC RTOs/ISOs, relevant trade groups, individual stakeholders) to ensure that the RS conforms to *reliability and market policies*. These policies are currently defined as guiding principles, such as core reliability principles, as determined by NERC or commercial principles that evolve through industry collaboration and/or FERC orders on market design and market

operations. The main distinction is that policy is determined outside of the WEQ process. Standards development is intended to help implement policy, not drive it. Those entities responsible for the initial policy screen will report back to the WEQ within 30 days as to whether the RS conforms to policy. The report also focuses attention on those aspects of the RS that conflict with policy and what needs to be amended to resolve the conflict in question.

Step 4 – Subcommittee Assignment

A subcommittee of the WEQ, which is open to all interested industry participants, is then formed by the WEQ for the purpose of converting the RS into a draft standard and for shepherding the draft through the development process. This step will also include a vote by the WEQ to authorize drafting. The chair and vice-chair of this drafting subcommittee will normally be members of the WEQ Executive Committee. All of the votes taken during the first four steps will be by simple majority and balanced by segment.

Step 5 – Preparing the Draft Standard

The drafting subcommittee will be responsible for preparation of the draft standard. This effort may involve the assistance of separate task forces to ensure that technical, operational, commercial or information technology issues are incorporated. In fact, the subcommittee chair can solicit (voluntary) expert assistance from vendors, consultants, grid operations specialists, etc. Membership in the WEQ is not required to participate in the drafting subcommittee. Nor is WEQ membership required for the iterative votes that will take place (balanced by segment, but with two-thirds super majority) as the draft standard takes form. Upon completion of the draft standard, it is

posted on the WEQ's website link for a minimum of 30 days to receive public comment. EPISA and many industry stakeholders believe that the entities who conduct both grid operations and wholesale market operations – the staffs of current ISOs or future RTOs – should participate in the drafting, either by writing or consultation.

A key consideration in the drafting of a standard is the regional variation that exists in the different interconnections of North America from a physical, technical and market standpoint. Accordingly, the NAESB process, which would be adopted by the WEQ, allows for such variation in its standards language. Upon stakeholder agreement, such accommodation would occur at this point.

Step 6 – Reliability Review and Commercial Review Subcommittees

EPISA envisions that the WEQ will have two standing subcommittees – a Reliability Review Subcommittee (RRS) and a Commercial Review Subcommittee (CRS). Both subcommittees would be populated with individuals with the proper degree of experience and expertise who are willing to assume a formal review responsibility. For instance, the RRS could include formal NERC involvement and could be populated with individuals from the Regional Reliability Councils, as well as grid operations personnel from companies within existing RTOs/ISOs and from control area operators whose companies is not part of an existing ISO. The CRS could be populated with existing ISO Market Operations Executives, market participant senior managers who serve on RTO/ISO Market Operations Committees, other qualified stakeholders, or consultants who have served as experts in market design and operations since the advent of FERC Orders 888 and 889.

These subcommittees would also be charged with determining the level and extent of field-testing the draft standard. These groups would also be required to conduct a technical assessment of the draft standard in their respective areas and to attach a report with suggested changes and recommendations for the draft standard. The time frame for RRS and CRS action would be 30-60 days. All of the activities of the RRS and CRS would be advisory only.

Step 7 – Revisions to the Draft Standard

The drafting subcommittee receives the public comments and reports of the RRS and CRS. The drafting subcommittee makes the necessary revisions to the draft standard, takes the necessary votes (again, balanced by segment but super majority). A final public posting is made at this point, as well.

Step 8 – Draft Standard is Finalized and Approved

The WEQ Executive Committee considers the final public comments and recommendations of the drafting subcommittee and finalizes the draft. At this point, the WEQ conducts a formal vote, balanced by segment, on the proposed standard. A super majority of 67 percent is required for approval. The current NAESB bylaws also stipulate that at least 40 percent of any given segment must also vote in the affirmative for a standard. Currently, stakeholders have not agreed to this provision. There is significant concern that one segment should not be allowed to veto a standard that has been supported by all other segments. Others view the veto as necessary to ensure that the majority does not force unduly onerous standards upon a single segment. This is an outstanding issue that must be resolved by the NAESB Board of Directors when it is reconstituted to include members from all four quadrants—wholesale gas, retail gas,

wholesale electric and retail electric. The results of the vote are posted on the WEQ website link.

Step 9 – WEQ Membership Ratification

The entire membership of the WEQ then ratifies the standard. Only WEQ members can vote, and a two-thirds super majority, balanced by segment, is required for ratification.

Step 10 – Submittal of Standard to Appropriate Regulatory Authorities

Upon ratification of a standard, NAESB staff will file the standard with FERC and other appropriate authorities, including, where appropriate, the Canadian National Energy Board, the Mexican CFE, various state and provincial regulatory agencies, and will also send the standard to NERC. At this point, the development process is concluded, and an approved standard moves into the implementation, compliance and enforcement stages – all of which are beyond the scope of the WEQ.

D. Segment Composition

The number and composition of segments within the WEQ has been one of the most difficult issues to resolve among the stakeholders. The spectrum of opinion ranges from as few as three segments to as many as nine segments. One stakeholder group prefers a three-segment approach (End Users, Transmission Owners, and Generators), while others prefer up to nine segments (Transmission Owners, RTOs/ISOs/Regional Reliability Councils; Load-Serving Entities; Transmission Dependent Utilities; Generators; Brokers/Aggregators/Marketers; Large End Users; Small End Users; and Government Entities).

Representatives of other companies in the stakeholder process, principally IOUs, marketers and generators (plus some regulatory commissions and others), consider the nine-segment approach to be improperly balanced and prefer a five-segment approach based on functions, not organization interests (Generation; Transmission; Distribution/LSE; Marketers/Brokers; and Customers). Other parties have proposed the six-sector approach that was recently approved by the Electronic Scheduling Collaborative (ESC): Generation; Transmission; Distribution/LSE; Marketers/Brokers; Customers; and RTOs/ISOs. EPSA anticipates that the segment composition issue will be resolved when the quadrant procedures are finalized.

As identified in other sections of this filing, decisions at key points in the standards development process will be made by “balanced segment voting.” Balanced segment voting means that each voting segment in WEQ is given equal weight in the voting process. An entity may join a segment only if it meets the participant definition for that segment. Any entity may join as many segments as it wishes as long as it meets the participant definition for each segment that it joins. Any business entity that forms separate corporations, such as for each of its generating plants or distribution companies, is nevertheless considered a single entity representing itself and all its separate corporations for purposes of these segment rules.

EPSA expects to actively participate in the further development of the WEQ voting segment structure, as well as the other outstanding issues relating to NAESB governance and structure identified in footnote 7. In this effort, EPSA attaches great importance to the following basic principles and objectives: (1) segment definitions should be based upon the functions various entities perform in the wholesale electric

market, rather than business interests; (2) the segment structure should support an efficient standards development process that effectively balances buyer and seller interests and includes appropriate opportunities for review and appeal; and, (3) every stakeholder group with a direct interest in wholesale electric standards should have the opportunity to participate in the standards development process.

Additionally, EPSA is committed to establishing a voting segment structure that ensures expediency, fair and balanced participation and protection of market interests that may comprise a minority within a segment or segments. EPSA believes that these features are essential for the fairness of the standards development process, and also to the ANSI certification of the process.

E. Voting Rules

Article V of the NAESB Certificate of Incorporation, entitled “Voting,” provides as follows:

An affirmative vote of at least sixty-seven percent (67%) from each of the applicable Quadrant(s) of the Executive Committee, including an affirmative vote of at least forty percent (40%) from representatives of each Segment within each of the applicable Quadrant(s), which vote must be ratified by a sixty-seven percent (67%) affirmative vote of those members of the applicable Quadrant(s) of the general membership voting, shall be required to adopt, promulgate, amend, revise, modify, interpret, or rescind a standard. No quorum of the members shall be required for such vote.

Amended and Restated Certificate, Article V, Section 4. This section describes general voting principles applicable to both Executive Committee voting and general membership voting:

- ◆ Executive Committee voting: 67% supermajority of returned ballots⁸ and at least 40% of each segment’s representatives.

⁸ NAESB Bylaws, Section 10.3.

- ◆ General Membership voting: 67% supermajority of returned ballots⁹ (no segment requirements).

EPSA proposes that these voting principles apply whenever these groups are called upon to vote within the WEQ. Implementing the Executive Committee voting process using sub-segments requires minimal additions to these voting principles, as authorized in Article V, Section 2. To implement this voting process, EPSA proposes that each of the WEQ's segments elect an equivalent number of WEQ Executive Committee representatives. In the Executive Committee, each of these representatives is given equal voting weight, which must be exercised as described above in order to "adopt, promulgate, amend, revise, modify, interpret, or rescind a standard."

III. Conclusion

Therefore, EPSA respectfully requests that the Commission: (1) promote and establish one comprehensive standards development process that coordinates and unites NERC's reliability policies with business practice standards essential for the effective implementation of market design and related commercial activities; and, (2) conduct a technical conference to clarify and resolve any outstanding issues regarding

⁹ Id.

the nature and scope of reliability policies and their connection with the ongoing effort to establish competitive, wholesale electric markets.

March 15, 2002

Respectfully submitted,

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Attachment A

Wholesale Electric Standards Proposed Consensus Process Diagram

