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Ms. Rae McQuade, Executive Director
Gas Industry Standards Board
1100 Louisiana, Suite 3625
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December 4, 2001

RE: Department of Energy's Industry Meeting Regarding the
Wholesale Market Electricity Standards Organization

PanCanadian Energy Services (PCES) will participate in the subject meeting and files these comments to assist the group in the discussions on this matter. PCES believes any organization responsible to develop wholesale electricity standards should have a governance structure with the following requirements and operating parameters:

1. Organization should be a separate legal entity not associated with a trade organization or any another organization controlled by a few segment(s) of market participants.
2. All market segments shall be equally represented in the process and procedures to develop and ratify voluntary standards.
3. The market segments represented in the organization should include at a minimum the following: generators, transmission owners, power marketers, transmission end-users and service providers not associated with another segment.
4. Each market segment should have the same voting rights as any other market segment.
5. Each market segment should have the right to veto a standard.
6. Organization should not advocate its standards before any regulatory agency.
7. Organization may be a resource for any regulatory agency to provide information on the voluntary standards developed and ratified by the organization's members.
8. The organization funding should be generated from annual membership dues, meeting fees, conference and training fees and sales of standards. The annual operating budget for an organization to solely develop wholesale electric standards should not exceed \$1,000,000.
9. Organization should provide process and procedures for an efficient and simple coordination and management to develop joint standards that overlap energy sectors (natural gas and electric), energy markets (wholesale and retail) or both energy sectors and markets. This coordination and management is required to reduce the significant current "seams" issues in the energy industry.

PCES believes Gas Industry Standards Board's conversion to the North American Energy Standards Board (NAESB) is the only organization that meets all of these requirements today.

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NERC is proposing to change into such an organization as outlined in their Wholesale Electric Standards Model (WESM) Draft dated November 26, 2001. While WESM is a significant change in the right direction from NERC's current practices, PCES believes that NERC's proposal needs to incorporate further changes to be acceptable to the wholesale energy industry stakeholders. Several of these needed changes were set forth in EPSA's letter to NERC dated November 12, 2001. PCES endorses EPSA's proposed changes. Further, to meet all of the above organizational requirements, PCES believes additional changes are needed as set forth in the attachment. PCES changes focus on minimum sector voting requirements, better definition of organizational practices and procedures, organizational funding and industry stakeholder input to bylaw and certificate revisions.

Finally, while GISB's conversion to NAESB will take place in January 2002, unless NERC takes the immediate actions per EPSA's suggested timetable, NERC's conversion is likely to be many months or years in the future. Clearly, at this time NAESB is the preferred organization for a wholesale electricity standards organization and the interested stakeholders should immediately begin the process to populate and form the Wholesale Electric Quadrant under NAESB.

Sincerely,

Craig Elias
President

**PanCanadian Energy Services Inc.'s
NEEDED Changes for NERC's Wholesale Electric Standards Model**

1. PCES believes that the sector voting rules should include a requirement for a minimum of 40% affirmative votes for each standard or model business practice. This will accomplish two objectives. First, the 40% minimum requirement will make the voting rules for the standards compatible with the North American Energy Standard Board's (NAESB) proposed voting requirements. Second, it will prevent what has been called the "tyranny of the majority" from occurring as in other past wholesale electric organizational efforts.
2. EPSA has requested that NERC make a filing with the FERC that fully explains and describes actual and anticipated organizational changes. PCES feels that this should include a "Wholesale Electric Quadrant Procedures" with the same specific processes and procedures developed under GISB's "Wholesale Gas Quadrant Procedures" as set forth under NAESB.
3. EPSA requested that NERC change its funding mechanisms. PCES believes that NERC should prepare for industry comment, its new funding mechanism together with a detailed annual budget for the standards and model business practice wholesale electric industry. PCES feels this budget should not exceed \$1,000,000. We believe \$1,000,000 is a reasonable maximum incremental costs to the existing NAESB estimated Draft 2002 Budget. For 2002 the draft budget for only the wholesale gas quadrant is \$934,000 (GISB Board of Directors' Board Book dated December 5, 2001, page 110). GISB estimates an incremental budget requirement of \$443,000 for NAESB. PCES feels GISB's budget figure is understated and may not reflect all expected costs of a full four-Quadrant NAESB since all the Quadrant rules and procedures are not in place.
4. EPSA requested that NERC amended its Certificate and bylaws to unequivocally define the new organization's mission as committed to developing reliability and business practices that enhance competitive markets. Just as GISB asked other market stakeholders to participate and comment on the new NAESB bylaws and Certificate amendment, NERC too should ask wholesale electric industry market stakeholders to participate in rewriting NERC's Certificate amendments and bylaws. The bylaws should include a provision for joint development of standards and business practices that affect other energy industry quadrants (retail electric and both natural gas quadrants) and permit reconsideration of any electric wholesale standards where necessary.

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