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TO: David Cook, NERC General Counsel
FROM: Roy Thilly
DATE: November 4, 2002
RE: Draft Memorandum of Understanding (MOU) Between NAESB and NERC

This memo provides WPPI's quick comments on the 10/31/02 draft MOU.

The MOU should be clarified by stating that the JIC shall make recommendations, but shall not have final authority on what issues will be dealt with by NERC and by NAESB. We support the concept of a joint committee to facilitate coordination and avoid overlap between the two organizations. However, we believe that the NERC Independent Board has an obligation to determine what standards are necessary to safeguard the reliability of the bulk electric system and to adopt those standards when they are needed. A final determination of whether a standard is necessary for reliability falls squarely within the NERC Independent Board's jurisdiction and should not be delegated to a joint committee of stakeholders. The JIC determinations should be in the form of recommendations, and there should not be a thirty (30) day deadline for rejection. Such a deadline would improperly deprive the Independent Board of authority to take whatever actions in the future it finds are necessary to meet its responsibilities.

We are also concerned that the guidelines in Appendix A for determinations of JIC fail to define what constitutes a business practice versus a reliability standard. The reference to functions by the use of designated terms as a way of distinguishing before standards and practices will not be workable. It creates an invitation for word games in the way in which a standard request is articulated. We believe there should be a definition of what a reliability standard is in contrast to a business practice or electronic communications protocol. Uniform business practices facilitate the efficient operation of markets, while reliability standards are rules and requirements necessary to safeguard the reliable operation of the bulk electric system.

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