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NPCC Comments on the 10/31/02 Draft NERC-NAESB Memorandum of Understanding

General Comments

NPCC believes that the NERC-NAESB MOU must clearly state the development of sound Business Practices rests upon the foundation of electric reliability standards established in accordance with clearly defined regionally specific reliability requirements. If market solutions are unavailable or fail to achieve the desired objective, the MOU should clearly state that an appropriate reliability safety net (backstop) must exist to protect the international, interconnected bulk power supply system. Therefore, the MOU must first define the principles under which the MOU is being developed and second, the process that will enable the two organizations to effectively coordinate the standards process in recognition of the organizational structure of each.

NPCC proposes that the following two Principles be considered as guidelines for the establishment of an MOU:

- 1) The coordination process will support NERC's commitment to enable and encourage market solutions to the maximum extent possible.
- 2) NASB's commercial standards must accommodate backstop reliability procedures if market mechanisms are inadequate.

NPCC also agrees with the majority of comments submitted on the 10/15/02 draft regarding the role of the Joint Interface Committee. That role should be to recommend to NERC and NAESB, as opposed to determine or assign, which Organization or Organizations should be responsible for the development of a standard.

Specific Recommendations:

1. Lines 11 & 12 – Replace existing text with the following: “Whereas NERC, in concert with the Regional Reliability Councils, is the primary industry organization for developing standards, consistent with legislative dictates, for the reliable operation of the interconnected bulk electric systems serving North

America and for monitoring and enforcing compliance with those reliability standards;”

2. Line 17 – Replace existing text with the following: “Whereas standards may have both business and reliability implications and may range...”

Note: Existing line 17 contradicts Appendix A by stating that” most standards may have both business and reliability implications”, while Appendix A clearly attempts to establish a “bright line” for delineating the differences between business and reliability functions.

3. Lines 19 & 20 – Replace existing text with the following: “Whereas the parties agree that a coordination process should be developed to ensure that business practices and reliability standards are coordinated to the extent that the security and integrity of the bulk power system is maintained and undue barriers to commercial activities are not created, and that every...”

Note: The word “harmonized” is being inappropriately applied.

4. Insert after Line 21 – “Whereas the parties agree that business practices will accommodate backstop reliability procedures to maintain the security and integrity of the bulk power system if market mechanisms are inadequate;”
5. Lines 39 thru 42 – Replace existing text with the following: “The parties recognize that standards may have both business and reliability implications. Accordingly, the JIC will evaluate each proposed new standard and provide non-binding recommendations to both NERC and NAESB as to which organization should develop the proposed standard.”

Note: Also remove Footnotes 1 and 2, as they could subvert the standards development processes of both organizations.

6. Line 54 – Delete from the existing text: “with every effort to have each segment represented.”

Note: The objective is to have an inclusive, fair, and balanced JIC without prescribing which segment represents which organization.

7. Appendix A, Lines 168 & 169 – Replace existing text with the following: “the JIC should provide a non-binding recommendation for the proposal being developed by NERC, NAESB or both based upon the following factors:”
8. Line 174 thru 176 – Delete from existing text, as being inappropriate factors.
9. Appendix C - Delete

November 4, 2002