

June 11, 2002

Rae,

In response to your question "Jim - With all conversations recently held, I hesitate to ask this, but which segment will you be representing?", I would like to take this opportunity to point out the following:

In the information circulated in preparation for the Columbus meeting, NAESB has included in the Agenda/Meeting notes the following statements:

"Questions were raised during the discussion on May 30 as to which Segments the following groups would belong:

- RTOs, RROs and ISOs - RTOs, ISOs and RROs believe that they may fit in the existing definitions (i.e., Transmission) but would prefer to have their own Segment to reflect independence from transmission owners."

I don't recall the ISOs, RTOs or RROs ever stating that they "believe that they may fit in the existing definitions (i.e, Transmission)". In my opinion, this statement contradicts what the ISOs, RTOs and RROs stated on numerous occasions at the Birmingham meeting .

Also, the five segment definitions as they currently exist are as follows:

Segments Identified (5/9/02):

- Transmission
- Generation
- Marketers/Brokers
- Distribution/Load Serving Entities
- End Users

Segment Definitions (5/9/02 and 5/29-30):

- **Transmission:** Any entity engaged in the activity of owning, operating or controlling bulk electric transmission facilities in North America.

- **Generation:** Any entity engaged in the activity of owning and/or operating wholesale electric generation facilities in North America.

- **Marketers/Brokers:** Any entity engaged in the activity of buying and selling wholesale electric power in North America on a physical or financial basis.

- **Distribution/Load Serving Entities:** Any entity engaged in the activity of electric power sales and/or delivery to end use customers in North America, or any entity designated to represent a distribution utility.

- **End Users:** Any entity in North America that is an end use consumer of electricity, engages in electricity regulation, or represents customer interests, or any entity designated to represent an end user.

At the Birmingham meeting, I put forth the following definition for an RRO in recognition that the 5 segments differ considerably from that provided by NPCC and stated below.

DEFINITION OF AN RRO

An RRO is an INDEPENDENT Regional Reliability Organization responsible for the DEVELOPMENT and COMPLIANCE ENFORCEMENT of REGIONAL RELIABILITY STANDARDS for the purposes of maintaining the RELIABILITY and INTEGRITY of the bulk power system, both on a NATIONAL and INTERNATIONAL basis.

RRO SEGMENT DEFINITION

By definition, any entity engaged in the activity of developing and compliance enforcement of regional reliability standards for the purpose of maintaining the reliability and integrity of the bulk power transmission system, both on a national and international basis.

As I stated at the Birmingham meeting, according to the definition of an RRO, we do not fit within any of the segments. That statement was made repeatedly by myself at the meeting but ignored by many of those who are unwilling to recognize the dramatic differences that are clearly apparent. Furthermore, because there is a strong desire by a number of the participants to purposely ignore this fact and would prefer to drive the "square peg into a round hole", we find this alternative to be totally unacceptable to us and, therefore, cannot be represented in any of the segments at this time.

Jim

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