

**ENTERGY RESPONSE TO
Mr. W. Museler 5/29/02 Letter to
NAESB-WEQ**

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Mr. William Museler's letter, dated May 29, 2002, written on behalf of the CEOs of North America's Regional Transmission Organizations and Independent System Operators was distributed to the NAESB-WEQ at their May 31 meeting. The RTOs/ISOs are apparently dissatisfied that the WEQ did not approve a separate segment for the RTOs/ISOs and want to head-off any attempt to include them in the Transmission Segment of the WEQ. The thrust of the letter was that NAESB-WEQ should view the RTOs/ISOs as "partners in the standard-setting process" and the "credibility of the NAESB process will be seriously undermined if the ISOs and RTOs are not properly recognized for the unique role they play in this industry to make markets work and maintain the reliability of the grid". Entergy submits these comments in response to the ISO/RTO positions expressed in that letter.

We believe the various functions performed by the ISO/RTO are similar to those performed by any entity administering an OATT or performed by a NERC approved Reliability Authority and the ISO/RTO should be grouped with those entities when business standards and communication protocols are developed. We prefer the ISOs/RTOs bring their considerable knowledge and needs to the Transmission Segment of the WEQ along with the considerable knowledge and needs of all other entities that own, control or operate transmission facilities. While we do not agree with the concept, we also believe that if a third, high-level group is formed to be a partner in the standard-setting process as seems to be indicated in the letter, in addition to NAESB-WEQ and NERC, then that group should include all entities that have an OATT and all NERC Reliability Authorities.

The ISOs/RTOs generally have stakeholder and market participant input in the development of their views. As such, adding a separate segment which includes only ISOs/RTOs would distort the balance in the 5-segment model currently being proposed.

FUNCTIONAL VS. CORPORATE VOTING

The NAESB-WEQ segment structure is predicated on functional participation. Any entity that is engaged in the activity of a segment may participate in that segment. The WEQ has considered and in general rejected alternatives to this functional participation. Entergy would like to see a modification of these rules to include a corporate limitation such that any entity and all of its affiliates may have

one membership each in all of the functional segments and sub-segments in which it has a business interest. Multiple memberships in the same functional sub-segments would be prohibited.

Apparently, as indicated in the letter, the ISOs/RTOs “require the company and all of its affiliates to only be able to vote in a single sector” and believe “such a rule is sorely needed in the NAESB process if the voting process is to remain credible.” Entergy disagrees. We believe the ISO/RTO limitation would exclude significant parts of the industry from voting on business standards. We recognize that the single corporation vote, if adopted, would enhance the voting strength of other parties such as the ISO/RTO group, but it would do so at the expense of the rest of the industry.

ENERGY IMBALANCE SERVICE

Each provider of transmission service has an OATT. Each OATT contains Schedule 4 – Energy Imbalance Service (EIS) which requires the transmission provider to offer and provide EIS. RTOs/ISOs claim that they are unique because they operate a market to provide this service. However, each of the RTO/ISO markets are different, each RTO/ISO can claim its market is unique and each could want its own standing in the standard development process.

Entergy believes any standards developed concerning EIS should incorporate LMP and non-LMP processes until LMP is adopted across the whole country for the provision of EIS. Placing RTOs/ISOs in a position to be able, on their own, to veto standards will not correctly reflect the needs of those that must provide EIS under their existing tariffs, which may not include a market based congestion management system based on LMP.

RTO/ISO NAESB-WEQ SUB-SEGMENT, SEGMENT OR SEPARATE PARTNER ORGANIZATION

We believe RTOs/ISOs should be in the Transmission Segment of the NAESB-WEQ. If there are sub-segments within this segment, the members should be “any entity engaged in the activity of providing transmission service through a FERC approved OATT or equivalent”.

RTOs/ISOs should not have their own segment nor be partners with NAESB-WEQ. However, if the industry believes RTOs/ISOs should be separate from others in the market, either by segment or by partner, Entergy might consider a segment or partner composed of OATT Administrators. The members would be “any entity engaged in the activity of providing transmission service through a FERC approved OATT or equivalent”.

BUSINESS STANDARDS FOR FERC SMD

Of course, all of this effort is intended develop business standards for the existing electric industry and the FERC Standard Market Design, currently under development. We have structured our comments so they apply to standards developed for the existing industry, the transition to the SMD and the SMD itself.