



NORTH AMERICAN ENERGY STANDARDS BOARD

1100 Louisiana, Suite 3625 · Houston, Texas 77002 · **Phone:** (713) 356-0060 · **Fax:** (713) 356-0067
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August 9, 2002

Mr. William J. Museler
President & CEO
New York Independent System Operator
3890 Carman Road
Schenectady, NY 12303

RE: NAESB White Paper on the Technical Advisory Council

Dear Mr. Museler:

I have your letter of the 5th. Based upon it, and based upon the conversation I had yesterday afternoon with Phil Harris, I understand you to be saying that the ISOs are prohibited from participating as members of any of the NAESB WEQ segments. In addition, Mr. Harris informed me that two FERC commissioners share this view.

Of course your opinion is entitled to great deference, and NAESB's intent from the beginning has been to ensure that all parties with legitimate business interests may participate in the Quadrants and Segments of their choice as a matter of right. That sentiment has not changed, and the NAESB Board had thought that its explicit conditional approval of the WEQ procedures was sufficient for our purposes to permit the ISOs to do so. Moreover, it was and remains our understanding that the FERC was satisfied that that was the case as well.

If that is not the case, we will take whatever steps are necessary to permit you to participate as a matter of law. In this context, it would be very helpful if you could point us to the statute, regulation or pertinent portions of relevant FERC Orders that restrict your participation in the segments as defined. Such reference would be extremely helpful in framing the issue to the Board and in responding to any criticism from those who formed the Quadrant that the non-WEQ represented Board is subverting the decisions of those who formed the Quadrant.

Also, I told Mr. Harris that I would be happy to participate in a joint meeting with the FERC to discuss any concerns they may have that the WEQ procedures, as conditioned, are inconsistent with FERC's rules, policies, or orders. I am willing to do this in either a formal or an informal setting, at your convenience.

Regarding the proposed Technical Advisory Council (TAC), Mr. Harris expressed concern that this was not a serious effort to address your concerns. Nothing could be further from the case. We have two other similar relationships. The first is our Advisory Council, composed of regulators from the State and Federal arenas, which has been in existence since 1994. Its chair is Bruce Ellsworth, former Chairman of the New Hampshire PUC, and I invite you to contact him as to the deference with which we treat their input. The second is with DOE's Sandia National Laboratories, which audits our electronic transmission protocols, and we take their input very seriously, even to the extent of changing standards that they find to be insufficiently or incorrectly drafted. Each of these arrangements is extremely visible, and Board practice has been to accord them deference similar to that accorded to the NAESB Executive Committee.



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Page 2

You have before you a rough draft of how the TAC might work, also sent on the 5th. How it does work would be up to you, and the Board likely would approve any advisory model you proposed, as long as it was not inconsistent with our certificate or bylaws. I say this quite sincerely, since I'm not big on platitudes. I am big on finding ways to get disparate groups together to collectively solve a common problem, although, admittedly, I'm not always 100% successful – sometimes far less than that.

Working together we can do great things for the energy industry, and the NAESB Board and I remain willing to do whatever is in our power to bring this about.

Sincerely,

William P. Boswell
Partner, McGuireWoods
Chairman and CEO, North American Energy Standards Board

cc:

Rae McQuade, Executive Director and COO, North American Energy Standards Board
James Buccigross, Vice President, 8760 and Chairman, NAESB Executive Committee
Jay Costan, Partner McGuireWoods and General Counsel of NAESB