

October 29, 2004

Mr. Michael Desselle
North American Energy Standards Board
Suite 3625
1100 Louisiana St.
Houston, Texas 77002

Re: Wholesale Electric Quadrant Membership and ISO/RTO Participation

Dear Michael:

This letter is in response to your phone call of several weeks ago, at which time you apprised us of the status of the NAESB WEQ membership's recent deliberations on the WEQ segment/sub-segment organizational structure and membership. As we've discussed in the past, the IRC remains committed to the Memorandum of Understanding ("MOU") between the North American Energy Standards Board ("NAESB"), North American Electric Reliability Council ("NERC"), and the ISO/RTO Council ("IRC") we entered into in May 2003. We feel that the processes developed in the MOU and the Joint Interface Committee ("JIC") meet our needs.

The IRC members do not seek a separate ISO/RTO segment or sub-segment in the NAESB WEQ organization; and the IRC members do not seek any formal seats on the NAESB Board or Executive Committee.

As we've discussed during the NAESB WEQ formation and during the development of the three-way MOU, the designation of ISOs and RTOs in the Transmission, or other sector with market participants, conflicts directly with our corporate governance principles and our Boards' fiduciary responsibilities to all users of the grid. By FERC Order and comparable US State and Canadian legislation and regulations, we are required to be independent of transmission owners and other market participants. Placing the ISOs and RTOs in a market participant segment would depart from that principle.

The ISOs and RTOs have, and will continue to participate in the NAESB process through membership on Subcommittees and working groups. The IRC recognizes that their representatives participate as non-voting members, and agrees that this arrangement is appropriate.

As you know, the IRC created its Standards Review Committee ("SRC") to formally support the NAESB standards making process. The SRC follows the development of NAESB standards and provides comments to publicly posted standards, as appropriate.

IMO

CALIFORNIA ISO

SPP
Southwest
Power Pool

aeso
ALBERTA
ELECTRIC
SYSTEM
OPERATOR

MISO

ISO
NEW YORK
INDEPENDENT
SYSTEM OPERATOR

ISO
NEW YORK
INDEPENDENT
SYSTEM OPERATOR

ERCOT
THE TEXAS CONNECTION



We thank you and the NAESB membership for assessing new options for the most effective role for ISOs and RTOs to participate with NAESB. We find that the present arrangement under the MOU and the JIC is effective and compatible with ISO and RTO structures. We look forward to the continued success of the NAESB process.

Very truly yours,



William J. Museler
President and CEO, NYISO
Chairman, ISO/RTO Council

WJM:de

- cc: NAESB Board
- Michehl Gent, NERC
- David Cook, NERC
- FERC Chairman Pat Wood III
- John Tapics, AESO
- David Goulding, IMO
- Phillip G. Harris, PJM Interconnection
- Thomas Schrader, ERCOT
- James P. Torgerson, Midwest ISO
- Gordon vanWelie, ISO New England
- Marcie Edwards, California ISO
- Nicholas Brown, SPP
- Karl Tammar, NYISO
- Marv Rosenberg