Members of the Executive Committee,

At the recent December Electronic Scheduling Subcommittee meeting, some concern was expressed that the ESS members did not fully understand the manner in which the current responsibilities associated with Electronic Tagging, the Interchange Distribution Calculator, and similar market/reliability tools were being assigned. NERC historically filled a role in the industry that addressed both commercial and reliability impacts of various procedures, particularly with regard to scheduling and congestion management. Since NERC is currently in the process of converting its Operating Policies to Standards, with the intent of removing the commercial aspects inherent in their existing operating policies, we expect that NAESB will take over the management of those portions with a significant commercial impact.

We recognize that there may need to be some sort of interim process between today and such time as OASIS Phase II and the Functional Model are deployed and NERC's new standards become implemented. We also believe that NAESB in general is expected to have some role in the coordination and development of this interim process (with the ESS likely participating significantly in this coordination). As such, we would like to ask for clarification of the manner in which issues such as these would be managed and addressed.

Specifically with regard to the Electronic Tagging and the Interchange Distribution Calculator, these tools clearly have both reliability and market components. Further, the documents that led to the development of these tools also have both market and reliability issues contained within:

- Electronic Tagging:
  - NERC Policy 3
    - Reliability – coordination requirements, delivery to Reliability Coordinators, coordination obligations during contingency events
    - Commercial – distributing tags to merchants, approval requirements, confidentiality
  - The Policy 3 Appendices
    - Reliability – coordination across Interconnections, Authority availability
    - Commercial – Evaluation timelines, Approval availability,
  - The E-Tag Specification
    - Reliability – sending tags to the IDC, confirming balanced schedules
    - Commercial – verifying contracts, transmission stacking, market data
- Interchange Distribution Calculator
  - NERC Policy 9
    - Reliability – providing data for analysis,
    - Commercial – choosing procedures to utilize
  - The Policy 9 Appendices

- Reliability – response times for providing relief
- Commercial – transaction priority, reallocation and reloading rules

These examples are only a portion of the intricate relationship between commercial issues and reliability management that are embodied in these two tools.

As we move forward, we will ultimately need clarification with regard to the following questions:

1. Is NAESB expected to begin management (from a commercial point of view) of the Electronic Tagging software?
2. Is NAESB expected to begin management (from a commercial point of view) of the Interchange Distribution Calculator?

We believe here may be several potential answers to these questions. A simple answer could be that NERC retains their historic management of both the commercial and the reliability aspects of these tools until such time as OASIS Phase II is deployed to the industry. This would ensure relative continuity with regard to these tools, although there may be some question with regard to the appropriateness of such a process.

A more complex answer would be that NAESB would be expected to manage parts of these tools that are related to commercial issues. If this is the answer, we would request more clarification as to how this management would occur. For example, would the existing Policies and technical documents remain in place, or would they be replaced such a way that attempts to clearly differentiate between commercial and reliability issues? If they are to retain their current structure, would market-requested changes start as NAESB resuest, go through the NAESB process, and then move to NERC for implementation? Would NERC be required to approve any NAESB-approved requests to change these tools? Would market-directed changes be funded by NERC, NAESB, or through some other methodology?

We realize these issues are complex, and do not expect an immediate answer. However, given the need to keep these tools (and others) in place until such time as they are replaced with tools based on the functional model, we feel it is necessary to resolve this at some point in the relatively near future. We believe it is essential to ensure the management responsibilities for these tools are well understood, and nothing is lost during this interim process that would negatively impact markets or reliability.

Should you require additional clarification or discussion, please do not hesitate to contact us.