

TO: NAESB Wholesale Electric Quadrant (WEQ) Executive Committee (EC)
FROM: WEQ Business Practices Subcommittee (BPS) Co-Chairs
RE: Guidance to NAESB WEQ Business Practices Subcommittee (BPS)
DATE: August 9, 2011

The subcommittee is seeking guidance from the WEQ EC as to whether it should continue on its present course with the inclusion of Two-Tier Firm Curtailment as a requirement within the Parallel Flow Visualization Permanent Solution or whether the proposed requirement is a policy issue that needs to be elevated to the Board/Managing Committee and FERC for further determination. The attached Two-Tier Firm Curtailment Overview (Attachment 1) provides a summary of the process that is proposed for use in the Eastern Interconnection when a Transmission Loading Relief (TLR) Level 5 request is initiated. The concept was initially presented to the subcommittee in its meeting on June 24-25, 2010 in two of the four options for the Parallel Flow Visualization solution.

The Procedural History of Two-Tier Firm Curtailment (Attachment 2) provides a summary of the key dates and activities of the subcommittee which have gotten us to the point of seeking guidance from the EC. In February, the subcommittee passed the following motion indicating that they needed to seek guidance on Two-Tier Firm Curtailment on whether the concept was a policy issue that needed to be addressed by the Managing Committee and FERC before standards could be recommended by the subcommittee:

Pending Wholesale Electric Quadrant (WEQ) Executive Committee leadership notification, the Business Practices Subcommittee (BPS) co-chairs will forward the final two-tier firm curtailment work paper and associated policy work papers to the NAESB Managing Committee for review and response to the following question. Can the BPS submit the final two-tier firm curtailment work paper and associated policy work papers to FERC staff to obtain feedback regarding whether the two-tier curtailment process conflicts with FERC Policy?

The Subcommittee assumed at the time the motion was made that the Two-Tier Firm Curtailment Work Paper and position papers would require review and approval of the NAESB Managing Committee who would then forward the documents to FERC staff for FERC to provide feedback on whether the concept violated FERC policy. In March the subcommittee deferred seeking guidance on the Two-Tier Firm Curtailment until it decided whether it wanted to include Two-Tier Firm Curtailment in either the Hybrid or Flowgate Allocation Options under consideration for the Parallel Flow Visualization Solution. In April, the subcommittee voted to include the Two-Tier Firm Curtailment Concept in both Options. The two-tier curtailment concept was something that the subcommittee determined needed to be included or excluded prior to selecting an option to move forward. In May, the subcommittee selected the Hybrid Option as the option to move forward as the Parallel Flow Visualization Permanent Solution. In June, it was recognized that the subcommittee still needed to address the motion from February

as to whether the Two-Tier Curtailment concept was a policy issue that the subcommittee needed guidance from the Board and/or FERC.

In our opinion we could classify the subcommittee members falling within two groups. First, there are those who consider the Two-Tier Firm curtailment a policy issue that needs to be addressed by the Board and FERC staff before the subcommittee can finalize the Parallel Flow Visualization Standards. The second group is those who do not believe that the subcommittee has overstepped its bounds, the concept does not conflict with FERC policy, the concept is consistent with FERC Orders, and the subcommittee should be directed to continue to move forward with its April decision to include the Two-Tier Firm Curtailment in the Permanent Solution. The position papers are included as Attachment 3 and Attachment 4. Both position papers have been reviewed but not endorsed by the Subcommittee. This lack of endorsement is based on the co-chairs decision that position papers provide enough information to allow the EC to make a decision. Due to the strong division of the subcommittee on these positions, obtaining endorsement on these documents would have significantly delayed bringing this issue before the EC.

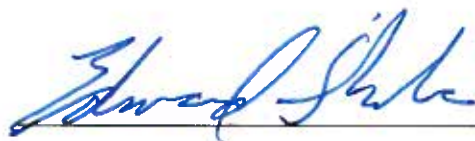
Due to the fluctuating size of the subcommittee, we have seen as few as ten and as many as one hundred thirty-five people participate in a meeting. Any votes in support of one position paper or the other would be based solely on the number of people participating on the day the vote was taken. Rather, the co-chairs agreed that when they presented the issue we would state that some subcommittee members supported one position paper and some supported the other.

The subcommittee has expended considerable effort in determining whether or not the Two-Tier Firm Curtailment concept either a) conflicts with transmission policy or b) creates new transmission policy. We are asking the Executive Committee to assist the subcommittee in resolving this issue in voting that either the Two-Tier Firm Curtailment concept is within the scope or to forward the issue to the Board/Managing Committee for a decision. Either way this question must be answered for the subcommittee to finalize the Parallel Flow Visualization Permanent Solution.

Submitted By:



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Edward Skiba

Enclosures:

Attachment 1: Two-Tier Curtailment Overview

Attachment 2: Procedural History of Two-Tier Firm Curtailment

Attachment 3: Policy Concern Position Paper

Attachment 4: No Policy Concern Position Paper