1. Minutes from the October 8th meeting were approved.
2. A Communication Strategy regarding the MOU was developed.
   a. Minutes to be distributed ASAP
   b. NAESB to post Minutes and MOU Drafts on NAESB website with hotlinks to NERC website
      i. Comments to be submitted to NAESB or NERC and posted on the NAESB web site
   c. MOU will include provision for NERC website to host JIC activities with hotlinks to NAESB website
3. The 1st Draft MOU was reviewed and modified – See Attached
4. A flowchart of the JIC process prepared by NERC was reviewed and modified – See attached
5. Michael Desselle to prepare draft objective criteria for use by JIC by Friday October 18
6. The draft objective criteria will be sent out for comment by the team between October 18 and October 22 via email.
7. Future meetings – October 28, 2002 AEP offices, Washington DC, 1-5 pm
BL**UE** signifies a request for a standard originally filed with NAESB.

**RED** signifies a request for a standard originally filed with NERC.
Memorandum of Understanding between

This Memorandum of Understanding ("MOU") is entered into this [DATE], 2002 between the North American Energy Standards Board ("NAESB") and the North American Electric Reliability Council ("NERC") (collectively, "Parties").

Whereas NAESB is the primary industry forum for development and promotion of business practice and electronic communication standards in wholesale and retail natural gas and electricity markets;

Whereas NERC is the primary industry organization for developing and encouraging compliance with rules for reliable operation of the bulk electric systems serving North America;

Whereas the Parties agree that there is a need to develop standards to enhance energy markets and maintain reliability throughout North America;

Whereas the Federal Energy Regulatory Commission ("FERC") has "strongly urged" the Parties to coordinate their standards development efforts;

Whereas most standards have both commercial and reliability implications and can range from being predominately reliability in nature to predominately commercial in nature;

Whereas the Parties agree that a coordination process should be developed between the parties to ensure that business practice and reliability standards are harmonized and that every practicable effort is made to eliminate overlap and duplication of efforts; and

Whereas, the Parties agree that the coordination that takes place under this MOU should not delay the development of necessary standards;

Whereas, neither organization shall be obliged to change its existing standards approval process nor shall this MOU be construed to in any way denigrate the charters of the respective organizations;
Whereas, the Parties intend this MOU to be a living document and recognize that the coordination procedures detailed in this MOU are likely to require revision as the Parties gain experience working under these procedures; and,

Now therefore, the Parties agree as follows.

1. **Purpose and Principles of Agreement**

1.1 The Parties propose to establish a coordination process set forth in Section 2 of this MOU. The coordination process is intended to eliminate overlap and duplication of effort between the Parties. The coordination process will accomplish this primarily through the creation of the Joint Interface Committee (“JIC”) comprised of representative members of NERC and NAESB. The creation of the JIC is not intended to create delay in standards development, but to facilitate efficient standards development and avoid duplication.

1.2 The Parties recognize that most standards have both reliability and business standards and communication protocols implications. Accordingly, the JIC will evaluate each proposed new standard with this recognition in mind to determine whether NAESB or NERC should be assigned development of the proposed new standard. While the JIC will evaluate the disposition of standards with the recognition that most standards have both reliability and business standards and communication protocols implications, the intent of NERC and NAESB (through the JIC) is that the coordination process should work toward the development of “standards for the industry” and avoid characterizing standards, wherever possible.

**LOT ISSUE:** The JIC should recognize that there may be instances where a standard is best developed with the direct input of both organizations and that there may be instances in which...
the FERC, or some other regulatory body, might specifically direct NERC or NAESB to develop

a standard.]

It is the objective of the Parties to have the coordination process set forth in

Section 2 of the MOU in full operation by [DATE]. Prior to the start date, the Parties agree to
develop objective criteria for the assignment of proposed new standards and to appoint members
of the Joint Interface Committee as called for in Section 2.2. The Parties may mutually agree to
move the start date for the coordination process.

2. **Joint Standards Development Process**

2.1 The Parties agree to establish a coordination process, as set forth in this section,

for the development of proposed new standards and in accordance with the principles in Section

1 of this MOU.

2.2 The JIC is the central coordinator of the coordination process. The JIC shall be

composed of representatives from NERC holding 50% of the votes and representatives from

NAESB WEQ holding 50% of the votes. Members of the JIC will be determined by each

organization, with every effort to have each segment represented.

2.3 The JIC will approve its recommendations by a simple majority vote.

2.4 The JIC will meet as necessary to review each Standards Authorization Request

(SAR) that the Standards Authorization Committee (SAC) of NERC has approved for the
drafting of a standard and each standard request that the NAESB Executive Committee (EC) has

assigned to the Wholesale Electric Quadrant (WEQ) of NAESB. The JIC will recommend

whether a particular standard should be developed by NERC or by NAESB, or whether the

standard can be divided, with each organization developing its portion of the standard as a

separate standard.
2.5 The JIC shall evaluate all new proposed standards based on a set of objective criteria that will provide guidance to the members of the JIC in determining whether the proposal should be submitted to either NAESB or NERC for further development.

The objective criteria will allow the JIC to characterize the standard on a continuum ranging from “predominantly reliability” to “predominantly business standards and communication protocols”. The JIC may prioritize submitted proposals if there are urgent reliability implications. The Parties will jointly develop the objective review criteria prior to the start date for the coordination process. See Attached Appendix A [to be further developed].

2.6 Once the JIC has assigned a proposed standard to one of the Parties, that Party’s respective organization becomes the development authority. The development authority will then develop the proposed standard through its existing standards development process. The organization without development authority will assume an advisory-only role to the other organization, and is encouraged to actively participate in the development process by participating in subcommittee, task force and working group deliberations as well as offering comments and recommendations on any and all aspects of the proposed standard.

2.7 All interested individuals and entities are invited and encouraged to participate to the maximum extent possible consistent with membership or registration requirements in NERC and NAESB standards development activity. Neither organization places any membership or registration requirement on the submission of comments on draft proposed standards.

2.9 The decisions of the JIC are appealable per the following provisions:

a. In the event of a tie vote of the JIC regarding the designation of the proposed standard, the matter will be referred to the Chairmen of the Parties (or their designee(s)) for resolution.

b. There are appellate rights if the JIC vote ranges between 51% and 66-2/3%. The appeal must be brought within a ten-day period. Only a sponsor, co-sponsor, or JIC member can file an appeal. The appeal will be referred to the Chairmen of the Parties (or their designee(s)) for resolution.

c. If the vote is greater than 66-2/3%, then such vote is non-appealable.
3. Filings With Governmental Authorities

3.1 Each Party shall be responsible for making the appropriate filings of the standards that it develops with governmental authorities.

3.2 All filings must include, verbatim, any comments submitted by the organization without development authority, as well as the comments of other interested parties.

4. Information Exchange

4.1 NERC will inform NAESB each year of its projected standards development activity for the coming year. NERC will promptly inform NAESB of additional planned activity.

NAESB will inform NERC of the Wholesale Electric Quadrant (“WEQ”) annual plan each year.

NAESB will promptly inform NERC about amendments to the WEQ annual plan.

4.2 With respect to each particular request for a standard or standard development action, NERC will promptly inform NAESB of the action, or the request in sufficient detail to convey the subject matter of the request or action and relevant time periods and comment deadlines. See Appendix B.

4.3 With respect to each particular request for a standard or standard development action, NAESB will promptly inform NERC of the action, or the request in sufficient detail to convey the subject matter of the request or action and the relevant time periods and comment deadlines. See Appendix B.

5. Costs
5.1 Each individual member of the JIC shall, unless otherwise agreed, bear all of the fees, costs and expenses incurred by such individual on behalf of their respective Party under this MOU. Each of the Parties shall bear their own costs.

6. Reevaluation

6.1 The Parties agree to meet no later than the anniversary month of the signing of this MOU to evaluate in good faith the effectiveness and efficiency of this MOU in meeting the goal of coordinating the standards development activity of the two organizations and to make any appropriate revisions.

6.2 The Parties may also agree to revise this MOU at any other time as mutually agreeable.

7. Termination

7.1 Either Party may withdraw from this MOU upon [days, weeks, months, year(s) [pick one]] written notice to the other Party and to the FERC or other appropriate jurisdictional regulatory authorities. Prior to the withdrawal becoming effective, the Parties agree to meet to discuss whether changes to this MOU would address the reasons prompting the withdrawal.

8. Miscellaneous

8.1 This MOU constitutes the entire agreement between the Parties with respect to establishing a coordination standards development process for new proposed wholesale electric industry standards and supersedes all prior understandings, proposals, negotiations and communications, oral or written, between the parties or their representatives with respect to such subject matter.
8.2 This MOU may be executed in counterparts each of which shall be deemed an
original and all of which together shall constitute one instrument.

8.3 Neither Party shall be liable for any indirect, special, incidental or consequential
damages arising in any way from any performance or failure to perform under this MOU.

8.4 The Parties agree that they will create a process whereby the notice of JIC activities and
documents are posted on a web site for public access.

AGREED TO This [DATE].

NORTH AMERICAN ENERGY
STANDARDS BOARD

NORTH AMERICAN ELECTRIC
RELIABILITY COUNCIL

By: ______________________________   By: __________________________
APPENDIX A

JIC Objective Criteria

[To be further Developed]
APPENDIX B
Current Notification Criteria

NERC

a. Receipt of a Standard Authorization Request ("SAR");
b. Decision of NERC Standards Authorization Committee ("SAC") to refer the request to NAESB;
c. Posting of SAR for comment;
d. Authorization by SAC to draft standard;
e. Activities of Standards Drafting Team;
f. Posting of draft standard for public comment;
g. Decision that draft standard is ready for ballot;
h. Submission of draft standard for ballot;
i. Ballot results;
j. Action by NERC Board of Trustees;
k. Filing the standard with governmental authorities.
l. Receipt of a Standard Authorization Request ("SAR");

NAESB

a. Decision by NAESB Executive Committee ("EC") to assign a standard request to the WEQ and referral to a subcommittee;
b. Activities of subcommittee;
c. Posting of draft standard for public comment;
d. Submission of draft standard and public comments to EC;
e. Decision of EC.
f. Action by NAESB Board of Directors;
g. Filing the standard with governmental regulatory authorities.