

[DRAFT June 10, 2002]

**Letter of Intent
regarding
Communication and Coordination Protocols
between
North American Energy Standards Board
and
North American Electric Reliability Council**

A. Introduction

A need exists to develop standards to enhance energy markets throughout North America. There are both commercial and reliability aspects to such standards, and each has implications for the other. The North American Energy Standards Board (“NAESB”) and the North American Electric Reliability Council (“NERC”) desire to work together to coordinate the development of business practice standards and electronic communication protocols by NAESB and the development of reliability standards by NERC. It is the intent of both organizations that the commercial and reliability standards be harmonized, that all reasonable efforts be made to eliminate overlap and duplication of effort, and that each organization be able to move forward with its appropriate standards development activity while keeping the other fully informed as to its efforts.

The electric industry is in the process of formulating the Wholesale Electric Quadrant of NAESB. This [letter of intent](#) (LOI) is, therefore, preliminary in nature. It will be supplemented by a more extensive memorandum of understanding (MOU) that describes the details of the coordination process after the Wholesale Electric Quadrant of NAESB comes into existence. [The MOU may address other issues that are deemed relevant by the parties, even though these issues are not contained in this LOI.](#)

B. Principles of Agreement

Participants in the wholesale electric industry [are](#) forming a Wholesale Electric Quadrant within NAESB to develop consensus business practice standards and electronic communications protocols, using the appropriate NAESB processes.

NERC [intends](#) to set core reliability standards through its new standards development process. NERC currently intends to focus its activities on the items (the “core” reliability standards) contained in the 11 Standards Authorization Requests that it has posted for comment.

NAESB intends to set business practice standards through its current standards development process. NAESB will follow the annual plans approved by the NAESB Board.

NERC and the Wholesale Electric Quadrant of NAESB will work together to assure the coordinated development of business practice standards and electronic communications protocols (by NAESB) and of reliability standards (by NERC) **in a manner that is both efficient and beneficial to the industry and the marketplace as a whole. This process may include joint standards development as agreed by the parties, recognizing that market standards may have both reliability and commercial elements.**

C. Coordination Protocols

Coordination includes the following elements, but may include other elements as agreed by the parties:

1. Notifications:

1. Each organization will notify the other of its anticipated standards development activity for the coming twelve months.
2. NERC will notify NAESB of each proposal to develop a core reliability standard before it begins considering or addressing such standard..
3. NAESB will notify NERC of its anticipated standards development activity for each calendar year. NAESB also will notify NERC of each proposal that passes triage **and is approved by the NAESB Executive Committee** to develop a wholesale electric business practice standard or electronic communications protocol.
4. Each organization will notify the other of the relevant comment periods and opportunities to participate in discussions and drafting groups.

2. Participation:

1. NERC may participate in the NAESB wholesale electric business standards development process either as an organization or through individual members.
2. NAESB may participate in the NERC standards development process either as an organization or through individual members.
3. NAESB and NERC may form joint working groups for drafting particular standards or parts of standards and may convene joint industry workshops and forums for discussion of particular items. Moreover, NAESB and NERC may jointly agree concerning the timing and method of development of proposed standards, as to reliability and commercial issues.

3. Conflicts:

1. Regulators, principally the Federal Energy Regulatory Commission, will have the final decision in resolving conflicts between a proposed reliability standard and a proposed business practice standard or communications protocol. **However, both NERC and NAESB intend that the procedures outlined above, which will be further developed following the formation of the NAESB WEQ, will minimize or obviate any such conflicts.**

2. Moreover, NAESB and NERC believe that, before such a conflict is referred to the regulators, it would be useful and prudent for the industry itself to try to resolve the conflict through a high-level dispute resolution process, **assuming it is not resolved during the standards development process as a whole.**

NORTH AMERICAN ENERGY
STANDARDS BOARD

NORTH AMERICAN ELECTRIC
RELIABILITY COUNCIL

By: _____

By: _____