



Canadian Electricity Association
Association canadienne de l'électricité

www.canelect.ca

July 7, 2006

Mr. Richard Sergel
President and CEO
North American Electric Reliability Council
Princeton Forrestal Village, 116-390 Village Boulevard
Princeton, New Jersey 08540-5721

Dear Rick:

The Canadian Electricity Association ("CEA") appreciates this opportunity to provide input with respect to NERC's draft Business Plan and Budget. CEA members recognize that NERC's responsibilities and functions will increase upon its establishment as the Electric Reliability Organization ("ERO"). But CEA members are also mindful of the need to justify increases in costs to their respective governmental officials. With that in mind, I offer a few general comments with respect to the draft Business Plan and Budget.

Allocation of Costs

As a general matter, CEA members support the application of net energy for load to determine the appropriate allocation of costs. However, there may be specific costs that may not be appropriate for allocation to Canada. For example, it may be difficult for CEA members to justify to their respective governmental authorities payment for a Washington office if the sole purpose of the office is to engage with FERC and other U.S. governmental officials. The allocation of specific cost issues can best be addressed through an active stakeholder process that produces transparent results. Transparency is particularly important in order to allow for governmental support for the final budget and to enable CEA members to fully understand and effectively implement any required changes as a result of Business Plan and Budget.

Importance of the Stakeholders Process

CEA recognizes that the draft NERC Business Plan and Budget represents NERC's first attempt at crafting a plan and budget reflecting the new ERO reliability regime and CEA applauds your efforts. However, CEA members believe that this Plan and Budget should be subject to a stakeholder process, particularly because it is NERC's first attempt at developing such a plan and budget. CEA also recommends that future NERC budgets be subject to a rigorous and thorough stakeholder process. Such a process will allow for the development of a budget that will meet the requirements of the relevant Canadian governmental authorities.

Dedicated NERC Staff Member for Canada-Specific Issues

As a final matter, CEA is concerned that there is no NERC staff member within the draft budget that is identified as being responsible for issues relating to the establishment of mandatory reliability standards in Canada. NERC has proposed the establishment of a Washington office and the addition of staff in Washington

CEA

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La voix de l'électricité canadienne

to focus on NERC issues arising in the United States. However, NERC is an international body, and there are and will be issues arising within the relevant Canadian jurisdictions that will require NERC's attention. The designation of a person within NERC to be responsible for Canada-specific issues will help to ensure the effectiveness of NERC as an international reliability organization.

CEA looks forward to working with NERC in the continuing development of the NERC Business Plan and Budget.

Yours sincerely,

CANADIAN ELECTRICITY ASSOCIATION

A handwritten signature in black ink, appearing to read "Hans R. Konow", followed by a vertical red line.

Hans R. Konow
President and Chief Executive Officer