



North American Energy Standards Board

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TO: NAESB Wholesale Electric Quadrant, Posting for Interested Industry Participants
FROM: Meghan McMillan, NAESB Staff
RE: Final Minutes from the NAESB Wholesale Electric Quadrant Inadvertent Interchange Payback Task Force Meeting – February 19, 2003
DATE: February 25, 2003

**Wholesale Electric Quadrant
Inadvertent Interchange Payback Task Force
February 19, 2003
Final Minutes**

1. Welcome

Mr. Buccigross gave the antitrust advice. Introductions were made on the phone and in the room. Mr. Oberski gave an update on the WEQ EC meeting held yesterday. He noted the EC discussed the organization of the WEQ subcommittees, and stated any possible re-organization would most likely not affect the work of the IIPTF. Mr. Oberski suggested the IIPTF formalize a chair for the task force, and asked for volunteers or nominations for that position. Mr. Reed, seconded by Mr. Green, nominated Mr. Goss for the position of IIPTF chair. Upon a procedural vote Mr. Goss was elected as official chairman of the IIPTF.

Mr. Goss stated if, after conducting research on inadvertent interchange, this task force feels it cannot adequately address the issue, the IIPTF has the option of returning these results to the MOS. Mr. Goss explained the MOS will take the IIPTF recommendation to the EC, who will then request the Board to consider removing this item from the annual plan. Also, he noted if the task force decides to move ahead with the inadvertent interchange issue it must first develop a request for standards development which will proceed through the NERC/NAESB Joint Interface Committee (JIC) process prior to its assignment for standards development. Presumably a standards development for inadvertent interchange payback would be assigned to the IIPTF. Mr. Green asked if the task force's goal would be to have a request ready to be posted by March 3, 2003, reviewed by the MOS at their March 6, 2003 meeting and put on the agenda for the JIC's March 21, 2003 meeting. It was agreed that inadvertent interchange is a commercial issue and should be addressed with the goal of eventually developing a standards request and that this time table was acceptable. Mr. Goss noted the next conference call of the IIPTF is scheduled for February 27, 2003.

It was agreed to approve the revised draft minutes from the February 13, 2003 meeting on the next conference call. The task force agreed to discuss the request form before discussing any other agenda items.

2. Identification of Issues of IIP:

> Pricing and issues of the energy component of IIP:

> For spot prices, are there spot prices available across the regions?

Southeast

Mr. Goss noted Mr. Ulch stated that, although there is one ISO under development, for the Southeast there really is no market at this time. Mr. Illian stated creating standards with a future market in mind would be a good approach.



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West

Mr. Weinstein stated the hourly index information is designed to enhance customer service capabilities, and an analysis of this index would probably take about a year. Mr. Illian noted that prices are more readily available in stronger markets, and less readily available in weaker markets.

East

In the last meeting it was noted there are well-defined hourly markets in the eastern region. No further comments were contributed.

> What happens to the energy spot prices at seams?

Mr. Hopf noted PJM markets are well defined, but MISO markets are currently not well defined. He also stated MISO has intentions of moving over to an LMP market by the end of this year. Mr. Hopf referred participants to the PJM/MISO Congestion Management Seams Issue Whitepaper, which references a mandate by FERC that before MISO can go operational it must deal with the seams issues. Mr. Hopf volunteered to send out the web site link where this paper can be located.

> Applicability of available data to the commercial aspects of IIP?

Mr. Illian distributed two documents relating to this topic entitled "Defining Good and Bad Inadvertent" and "Energy Mark Discussion on the Nature of the Inadvertent Problem." Mr. Benjamin noted there is a data warehousing project ongoing at the moment to collect information relating to this issue. Additionally, most of the changes made to policy concerning this issue would be made to CPS2, and CPS1 would most likely not be affected.

Mr. Illian noted including a congestion management component in pricing out inadvertent interchange would discourage a black market in inadvertent interchange. It was noted that various rules of behavior might be worth capturing in inadvertent standards.

3. Plan for and Identification of other IIPTF Issues

No further issues were identified at the meeting.

4. Review of Request Form for Completion prior to March 6 Meeting

Mr. Goss referred participants to the form titled "Request for Initiation of a NAESB Standard for Electronic Business Transactions or Request for Enhancement of a NAESB Standard for Electronic Business Transactions." This form can be downloaded from the NAESB web site in .doc format at <http://www.naesb.org/Req.htm>. As per the results of the following discussion concerning the request form, a completed form has been attached to these minutes.

Item 3: Mr. Illian suggested the following language for item 3 on the form: "NAESB standard for the settlement of inadvertent interchange."

Item 4: Mr. Illian proposed item 4 include a description of this standard and a description of related standards in effect right now. He noted item 4 should include related NERC inadvertent interchange standards. Mr. Goss asked Mr. Illian to draft some language for number 4, and he agreed.

Item 5: Mr. Ulch suggested language for item 5: "Incent good behavior of balancing actual output and scheduled output and reverse the possibility of inadvertent accumulation."



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Item 6: Mr. Goss noted the IIPTF will not be sure how to estimate the cost until the standard is developed. Mr. Illian proposed the costs of implementation will probably be less than what it costs some of the participants on the eastern interconnection for a single instance of improper use of inadvertent interchange payback in kind. It was noted implementation costs will be laid out by NERC and there would be none or minimal incremental costs. Mr. Halpin suggested the following language for item 6: "At this point in time in the development process this task force anticipates little or no incremental costs to implement the standard(s)."

Item 7: Ms. McQuade noted this item is typically used when there is a FERC order or direction from state commission and stated about 90% of the requests NAESB receives list 'none' for item 7. Mr. Illian stated the task force might want to note that this request could require the modification of some existing NERC standards. It was noted that policy/standards will be impacted on both the NERC and NAESB sides respectively, and the JIC will be able to review requests with this in mind. Mr. Benjamin noted NERC is amenable if Policy 1 needs to be revised as a result of developing these standards. Ms. McQuade suggested it be noted on item 7 that, as a result of developing standards on this request, NERC Policy 1 will need to be reviewed for changes.

Item 8: Mr. Blohm suggested some testing might be needed using volunteering industry participants. Mr. Illian noted testing this on the interconnection might be too risky and suggested there may be ways of conducting tests outside of the interconnection that could be developed once the task force has a better idea of what a possible solution would look like. Mr. Goss stated at this point the task force can say there are none identified.

Item 9 & 10: Mr. Goss stated at this point the answers to items 9 & 10 would be not applicable.

It was noted that a draft of the form would be completed and posted before the next call on February 27, 2003, at which time the goal will be to finalize the standards request document. The draft document will be presented to the MOS on March 6, 2003 and then forwarded to the NAESB Office. If applicable, the NAESB Office will forward the IIPTF request to the JIC for consideration at the March 21, 2003 JIC meeting.

5. Other Business

Mr. Wolf noted the task force needs to decide if it will propose a standard once there are markets in place, assuming the IIPTF gets the assignment to develop standards. Mr. Illian proposed the group develop a solution that would work assuming the markets are already in place. Mr. Blohm noted the frequency component needs to be developed at some point, and it should not wait until market prices are already in place. Mr. Illian noted this would be something done in the process of developing the standard.

Mr. Goss summarized the results of the meeting. A rough draft request form will be developed. NAESB will distribute the draft prior to the next conference call on February 27, 2003, and the agenda of that meeting will be to finalize the draft request document so it can be forwarded to the MOS on March 6, 2003. He suggested interested parties do some research on this issue in order to facilitate development of relevant standard(s).

6. Adjourn

Mr. Goss adjourned the meeting on February 19, 2003 at 11:53am CDT.



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7. Meeting Attendees

Name	Company	In Person/Phone
Aspass, Lynn	Bonneville Power Admin.	Phone
Benjamin, Don	NERC	Phone
Blohm, Robert	Economist	In Person
Buccigross, Jim	Group 8760	Phone
Comeaux, Keith	Cleco Power	Phone
Corbin, Randy	Ohio Consumers' Counsel	Phone
Cox, Phil	American Electric Power	Phone
Davis, Edward	Entergy	Phone
Dotterweich, Andy	Consumers Energy	In Person
Goss, Bob	SEPA	In Person
Green, Barry	Ontario Power Generation	In Person
Halpin, Francis	Bonneville Power Admin.	Phone
Hartwell, Jim	NPCC	In Person
Hopf, Joe	Ameren Energy	Phone
Ide, Charles	ISO New England	Phone
Illian, Howard	Energy Mark	In Person
Johnson, Alan	Mirant	Phone
McMillan, Meghan	NAESB	In Person
Nick, David	DTE Energy	Phone
Oberski, Lou	Dominion	In Person
Reed, Tony	Southern Company	In Person
Ulch, Dean	Southern Company	Phone
Weinstein, Jeremy	Pacificorp	Phone
Wolf, Matt	Entergy	In Person
Yeung, Charles	Reliant	Phone