



North American Energy Standards Board

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via email and posting

TO: NAESB WEQ Inadvertent Interchange Payback Practice Task Force Meeting
Participants and Posting for Interested Parties

FROM: Todd Oncken, Deputy Director

RE: IIPTF Meeting Minutes - April 1 & 2, 2004

DATE: April 19, 2004

**Wholesale Electric Quadrant
Inadvertent Interchange Payback Task Force
April 1-2, 2004 in Houston, TX hosted by NAESB
Final Minutes**

Day One

1. Welcome

Mr. Cox called the meeting to order and welcomed participants. It was noted that Mr. Terelmes would no longer be serving as co-chair of the task force and Mr. Cox would serve as interim chair of the task force until other arrangements could be made. Mr. Oncken gave the antitrust advice. Participants introduced themselves.

The draft agenda was reviewed and a discussion of Mr. Illian's workpaper on pricing methodologies was added. Mr. Reed moved, seconded by Mr. Power, to adopt the modified agenda. The motion passed unanimously.

2. Reading of adopted motions

Participants were encouraged to review the Substantive and Tabled Motions document independently.

3. Discussion of motions to present to WEQ EC

Mr. Cox reviewed the March 12, 2004 WEQ Executive Committee conference call minutes regarding the EC's expectations for the IIPTF report at the May EC meeting. Mr. Oberski stated the EC needs to understand the progress to date of the IIPTF and suggested an outline of that progress would be appropriate. Pertinent topics include concepts being considered, concepts not being considered, and how those concepts would be applied. The following high-level topical areas for the report were identified: market pricing; transmission constraint; Frequency Contribution Component (FCC); settlement mechanism; frequency bandwidths; inadvertent with the interconnection vs. bilateral transactions; NERC's role regarding data and definitions; credit; issues of unmatched settlement; and clearinghouses and the functions they would serve.

A draft report was created after the meeting, posted to the NAESB web site, and reviewed during day two. Mr. Goins moved, seconded by Mr. Reed, that the draft report be presented to the Executive Committee in May. The motion passed with Mr. Blohm opposing. It was noted that while the chair might add more detail to the report, the final report would not be detail intensive.

Mr. Henery suggested one solution to the challenges faced by the task force would be to create a standard that was interconnection specific, noting that the Western Interconnection was



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satisfied with the procedures it has developed. Mr. Henery offered to draft a strawman of a Western Interconnection standard that mirrors the current procedures. There was general discussion of the Western procedures. It was noted that the resolution of existing balances on the Western Interconnection has not been determined. Additionally, Mr. Henery explained that inadvertent interchange that occurs in hour one is payed back equally over the following three hours, respecting peak and non-peak distinctions. Mr. Blohm suggested it was a relatively new procedure and there have been some technical difficulties, as demonstrated by Mr. McReynolds' presentation to the IIPTF in September 2003.

4. Discussion of new motions

DiCaprio motion: Mr. Power presented Mr. DiCaprio's previously submitted motion. There was discussion about Mr. DiCaprio's submission. Since he was not present at the meeting to explain the work paper, Mr. Gions moved, seconded by Mr. Power, to table Mr. DiCaprio's motion. The motion to table passed unanimously.

Blohm motion: Mr. Blohm explained his motion clarifies the future of the FCC and the potential for NERC to address a FCC is they so choose. Mr. Illian added that the JIC assigned the IIPTF standards request to NAESB, even though the JIITF report specifically stated the FCC was a reliability issue. Mr. Illian stated that the JIC and NERC should be specifically informed that the FCC has been eliminated from IIPTF consideration.

Mr. Blohm read his motion, as follows: Whereas the NERC JIITF white paper defines a Frequency Contribution Component of Inadvertent Interchange, the IIPTF recommends that the JIC remand back to NERC as a reliability issue the development, if any, of any such standard measuring the impact of Inadvertent Interchange on frequency, with monetary assessment, if any, for frequency impact to be regarded as NERC compliance-related. Mr. Illian seconded the motion.

During discussion on the motion, Mr. Illian stated the decision of the IIPTF, through the success of the Power motion, was inadequate because it has eliminated an adder composed of percentage components based on frequency. Mr. Vandervort clarified the NERC JIITF white paper was a reference document, not binding on any party. The motion failed with Mr. Blohm supporting the motion and all other voters opposing the motion.

5. Discussion of Pricing Methodologies

Mr. Illian presented his paper regarding pricing methodologies. He noted a similar presentation has been given before, but he changed terminology in this document so there would be no confusion between his concept for locational pricing (or native market pricing) with LMP or standard market design. Additionally, he referenced a chart representing an analysis of the consequences of each of the five pricing methodologies being considered against the components of the JIITF white paper. It was noted that consensus has not been reached on the preferred pricing method. Mr. Blohm noted that an open issue regarding native market pricing was the price to be applied in the absence of a functioning spot market. Mr. Cox noted that there was consensus that the solution should be an existing cost or price.

6. Adjourn

Day One of the meeting recessed at 1:30 p.m. Central.



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Day Two

1. Welcome

Mr. Oncken gave the antitrust advice. The first order of business was approval of the draft report. See discussion above.

2. Discussion of Bandwidth Definitions

Mr. Vandervort presented a work paper titled, *Motion: Eastern Interconnection, Inadvertent Payback Within Designated Frequency Bandwidth*. It was explained that under this proposal, inadvertent interchange would be settled according to current options and methods inside the designated frequency bandwidth, as derived from current NERC Policies. Mr. Vandervort explained the work paper and noted that it was not intended to apply to ERCOT or the Western Interconnect.

The work paper was discussed. The proposal was generally well received, although Mr. Blohm and Mr. Illian still opposed the inclusion of a frequency bandwidth. To that end, Mr. Illian stated a proper analysis has not been conducted on the underlying assumption that the disadvantages of payment in kind occur most often when frequency is far from schedule. It was noted that the intent of the proposal was to include all current methods of settlement. There was discussion on whether the document should apply to both the East and the West, or just the East. In addition, it was noted that setting the appropriate bandwidth would be challenging. At the conclusion of discussion it was determined that the concept was not ready for inclusion in the IIPTF report. The Vandervort proposal will be discussed at the next meeting.

3. Other Discussion

Future Meetings:

May 26-27, 2004 in Houston, TX (day one full day, day two half day)

June 23-24, 2004 in Houston, TX (day one full day, day two half day)

July 26-27, 2004 in Las Vegas, NV (day one full day, day two half day)

August 25-26, 2004 in Colorado Springs (day one full day, day two half day)

September 22-23, 2004 in Houston, TX or TBD (day one full day, day two half day)

The following topics were identified for the next meeting: continued discussion of the Vandervort proposal, discussion on pricing methodologies, and determination of bandwidth.

4. Adjourn

The meeting adjourned on April 2, 2004 at 10:30 a.m. Central.



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5. Attendance

Name	Organization	Day One	Day Two
Bill Bateman	GSOC	In Person	In Person
Shannon Black	SMUD	In Person	In Person
Robert Blohm	Consulting Economist	Phone	Phone
Keith Comeaux	Cleco Power	Phone	
Kyler Cornish	Entergy Services	In Person	In Person
Phil Cox	AEP	In Person	In Person
Ed Davis	Entergy	Phone	
Larry Goins	Tennessee Valley Authority	Phone	Phone
Bryan Harper	Cleco Power	Phone	
Nick Henery	SMUD	Phone	
Howard Illian	Energy Mark	Phone	Phone
Lou Oberski	Dominion	Phone	Phone
Todd Oncken	NAESB	In Person	In Person
John Power	MISO	In Person	In Person
Tony Reed	Southern Company	In Person	In Person
Tom Vandervort	NERC	In Person	In Person