



North American Energy Standards Board

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Home Page: www.naesb.org

TO: NAESB Wholesale Electric Quadrant Inadvertent Interchange Payback Task Force,
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 – June 4, 2003

DATE: June 17, 2003

**Wholesale Electric Quadrant
Inadvertent Interchange Payback Task Force
June 4, 2003
(9:00 a.m. – 3:00 p.m. Eastern)**

1. Welcome

Mr. Oberski opened the meeting. Ms. McMillan gave the antitrust guidelines. Mr. Oberski moved, seconded by Mr. Goins to elect Mr. Terelmes to the position of co-chair of the Inadvertent Interchange Payback Task Force (IIPTF). Mr. Terelmes was unanimously elected co-chair of the IIPTF. Mr. Oberski noted Mr. Terelmes would be chairing the meeting.

Mr. Terelmes reviewed the agenda and added several topics of discussion which included: Mr. Ulch's definition for Inadvertent Interchange Settlement Party, the revised model developed by Mr. Illian and the decision of which model(s) to use going forward, a discussion of price, and the actual process for the development of the standard.

The task force reviewed the draft minutes from the May 8, 2003 meeting. Several changes were made and recorded. Mr. Cox moved, seconded by Mr. Green to adopt the draft minutes as amended. Upon a procedural vote, the modified draft minutes were adopted.

2. Continue Discussion of IIPTF Issues Listed during the April 9, 2003 Meeting

Discussion of Mr. Illian's Model

Mr. Illian reviewed his paper, which was posted on the NAESB web site at http://www.naesb.org/weq_market_operations.htm as a work paper for the meeting. He noted during the discussion that he would make some corrections to calculations in the examples provided in his paper. There was extended discussion concerning the examples in Mr. Illian's paper. Mr. Illian reviewed each example and answered questions from the group. Mr. Terelmes asked if the group could examine the models and rule out any that would not be useful in developing the standard(s). He suggested the task force could rule out models three and four. After discussion, the group agreed to continue examination of models two, four and five.

Mr. Blohm stated he developed an alternative to the fifth model that does not use bid-ask spreads and instead uses the midpoint of the spread. He suggested the group avoid focusing on bid-ask spreads since that emphasizes balancing authorities in their affiliate roles as market makers. He suggested the group focus on balancing authorities just as market participants. It was agreed to look at this issue during the pricing discussion.

Discussion of Mr. Ulch's Definition

Mr. Terelmes read Mr. Ulch's Definition as follows:



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Inadvertent Interchange Settlement Party (IISP) – The party responsible for after-the-fact energy accounting associated with inadvertent interchanges settlement within one of the NERC Interconnections. Entities that qualify to be IISPs are Control Areas, Balancing Authorities, RTOs, ISOs, and other organizations that may be recognized by NERC as being qualified to perform settlement for its members. Qualifications to perform settlement for another party shall include, but may not be limited to, contract arrangements authorizing the party to perform settlement duties for a Control Area or Balancing Authority and indicating the party has the necessary resources to finalize settlement of inadvertent interchange for its members with other Control Areas or Balancing Authorities within the Interconnection.

It was noted the purpose of this definition was to include those parties who perform the duties of the IISP that are not balancing authorities. Mr. Illian noted one difficulty the task force will need to deal with is the fact that a number of organizations have already written tariffs that are not consistent with the methodologies the task force has discussed. He suggested the task force might consider offering standard(s) that would allow those using other solutions to continue to use those solutions. It was agreed that the above definition for Inadvertent Interchange Settlement Party (IISP) will be used in the future in place of Balancing Authority.

Discussion of Price

Mr. Terelmes suggested the price might only include energy at a control area. Mr. Illian voiced concerns that using the highest or lowest transaction price during the hour might not provide the best information for pricing. He suggested using the last valid price that each inadvertent interchange settlement party is willing to deal with in the market, or something close to that price. It was agreed that there would need to be an hourly price. Additional issues identified during the discussion were how to identify a price each hour when no transactions are occurring and what price is quoted when the price is negative.

Mr. Terelmes stated he will post an example of a NAESB standard, which will help the task force when they begin their drafting. Mr. Bilke noted he would be submitting several questions to be addressed at the next meeting and Mr. Terelmes asked that task force members take a look at these questions before the next meeting. Mr. Bilke's questions will be posted on the NAESB web site as a workpaper for the next IIPTF meeting. Mr. Terelmes also asked the group to have in mind any segment of the market that would be affected by this pricing.

3. Other Business

Dates for upcoming WEQ IIPTF meetings were discussed as follows:

June 18 (2:00 p.m. – 4:00 p.m. Central) Conference Call
July 9 (10:00 a.m. – 3:00 p.m. Mountain) Colorado Springs, CO
July 23 (2:00 p.m. – 4:00 p.m. Central) Conference Call
August 6 (9:00 a.m. – 3:00 p.m. Eastern) Philadelphia, PA
August 20 (2:00 p.m. – 4:00 p.m. Central) Conference Call

4. Adjourn

The meeting adjourned on June 4, 2003 at 2:42 p.m. Eastern.



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5. Attendees

Name	Company	In Person/Phone
Bilke, Terry	Midwest ISO	Phone
Blohm, Robert	Economist	In Person
Cox, Phil	AEP	In Person
Davis, Ed	Entergy	Phone
Ferrenger, Jerry	Consumers Energy	Phone
Fleger, Bruce	Allegheny	Phone
Gigliotti, Cara	Allegheny	Phone
Gildea, Michael	Duke Energy	Phone
Goins, Larry	Tennessee Valley Authority	In Person
Green, Barry	Ontario Power Generation	In Person
Hartwell, Jim	Northeast Power Coordinating Council	In Person
Hicks, Paul	Progress Energy	Phone
Illian, Howard	Energy Mark	Phone
Locke, Greg	North Central Power Agency	Phone
Maenner, James	Wisconsin Public Service	Phone
Mason, Jean	Ameren Services	Phone
McMillan, Meghan	NAESB	Phone
Oberski, Lou	Dominion Energy Marketing	In Person
Smith, William	Allegheny	Phone
Terelmes, Steve	Ameren Energy	In Person
Ulch, Dean	Southern Company	Phone
Vandervort, Tom	NERC	In Person
Weinstein, Jeremy	PacifiCorp	Phone
Yeung, Charles	Reliant Energy	Phone