



North American Energy Standards Board

1301 Fannin, Suite 2350, Houston, Texas 77002
Phone: (713) 356-0060, Fax: (713) 356-0067, E-mail: naesb@aol.com
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 – August 6, 2003

DATE: August 14, 2003

**Wholesale Electric Quadrant
Inadvertent Interchange Payback Task Force
August 6, 2003 (10:00 am – 3:00 pm Eastern)
Final Minutes**

1. Welcome

Mr. Goss opened the meeting. Ms. McMillan gave the antitrust advice. Introductions were made. The June 18, 2003 and July 9, 2003 draft minutes were adopted by consent with modifications submitted by Mr. Blohm.

2. Discussion of Results of August 4 NERC/NAESB IIPTF Organizational Meeting

Mr. Goss noted the notes from this meeting have been posted on the NAESB web site. He stated the August 4 meeting was held to determine which organization was responsible for the creation or development of inadvertent energy amounts. Mr. Goss added that during the August 4, 2003 meeting it was decided that NERC would develop the inadvertent numbers and NAESB would develop a methodology for paying back those numbers.

3. Presentation by Mr. Lively Regarding Pricing of Unscheduled Flows of Electricity

Mr. Lively gave his presentation, which is also available on the NAESB web site. The task force discussed the presentation and Mr. Terelmes asked for opinions concerning how this discussion fits with previous task force discussions.

Mr. Vandervort stated the WOLF process might be effective and efficient if the process was broken down into increments smaller than one hour, but would probably not work as well in an hourly system. Mr. Fidrych stated concern that many in the industry are skeptical about reliability issues driven by an economic model. The IIPTF agreed this was a concern. Mr. Gildea stated he was not clear on how WOLF solves the loop flow issue. Mr. Carter stated parties should be able to choose to have payback in kind or financial payback.

Mr. Blohm voiced the following concerns with WOLF:

- 1) WOLF rolls the frequency component into the energy component rather than separating them.
- 2) WOLF is a continuous marginal pricing mechanism that attempts to do real-time adjustment of the hourly price, and if WOLF is used under an hourly energy pricing system there is no way for the WOLF price to meet the hourly energy price unless WOLF takes over all energy pricing from the hourly market.
- 3) There is a reliability issue because WOLF does not recognize the difference between Frequency Response and AGC.

Mr. Blohm added this method is no more useful for next hour payback because then there's no energy price to adjust. However, Mr. Illian stated information gathered while using WOLF with one hour intervals may not be sufficient to drive the process.



North American Energy Standards Board

1301 Fannin, Suite 2350, Houston, Texas 77002
Phone: (713) 356-0060, Fax: (713) 356-0067, E-mail: naesb@aol.com
Home Page: www.naesb.org

Mr. Terelmes asked the Task Force to keep the following issues in mind:

- 1) The IIPTF is a NAESB task force attempting to set up a standard to price inadvertent or determine if pricing inadvertent is a possibility.
- 2) Any model within a standard is going to be limited to data that can be acquired to put into that model: currently there are three areas of data - energy inadvertent, frequency inadvertent and price. Anything else is beyond the scope of this group.
- 3) Mr. Lively's model is very thorough but some of the issues are outside the scope of this group such as congestion in loop flow.
- 4) The task force should decide if any of the models discussed can survive with the data we have available.
- 5) Do we have a price indicator for the market?

Mr. Illian stated payback in kind is already commonly used and the task force should not look for something to replace this methodology. Instead, he said the IIPTF should consider methodologies that work better than payback in kind.

Mr. Terelmes stated he would like to discuss whether or not it is possible to identify a price for the energy component of inadvertent to use in a model. Mr. Cox stated he thinks the schedule for charges in the tariff is the answer. Mr. Blohm stated tariff charges could be an alternative, but discontinuity among tariffs presents possibly difficulties. He said other alternatives would be interpolation and extrapolation procedures for areas that have missing prices, and next hour bilateral payback with the Interconnection. However, he noted with next hour bilateral payback with the Interconnection the drawback is that it requires more management by the interconnection.

Mr. Terelmes stated he does not believe the Task Force can obtain a price for the energy component because the data necessary to derive a price that strictly reflects the market price is not available to this group. There was a consensus that it would be acceptable to include scheduled-for price as a possibility. Mr. Terelmes asked if the group would consider an LMP calculation as well. Mr. Terelmes noted Mr. Cox has posted four different scheduled-for options on the website and between now and the next meeting the group should determine if this option is a viable possibility. The Task Force decided to discuss bi-lateral payback at a future meeting.

Mr. Lively rebutted the comments of Mr. Blohm and Mr. Illian regarding WOLF.

4. Other Issues for Discussion

No other issues were discussed.

5. Calendar of Meetings

The following meetings were noted:

August 20, 2003 (2:00 pm – 4:00 pm Central) - conference call

September 15, 2003 (1:00 pm – 4:00 pm Central) and September 16, 2003 (9:00 am – noon Central) – meeting in Austin, TX

October 8, 2003 (9:00 am – 3:00 pm Mountain) – meeting in Phoenix, AZ

6. Adjourn

Mr. Goss moved, seconded by Mr. Vandervort to adjourn the meeting on August 6, 2003 at 2:47 p.m. Eastern.



North American Energy Standards Board

1301 Fannin, Suite 2350, Houston, Texas 77002

Phone: (713) 356-0060, Fax: (713) 356-0067, E-mail: naesb@aol.com

Home Page: www.naesb.org

7. Attendees

Name	Company	In Person/Phone
Blohm, Robert	Economist	Phone
Carter, Roman	Southern Company	Phone
Cox, Phil	AEP	Phone
Fidrych, Mark	WAPA	In Person
Fleeger, Bruce	Allegheny Power	Phone
Garwood, Steve	R.J. Rudden Associates	In Person
Gildea, Michael	Duke	In Person
Goins, Larry	TVA	In Person
Goss, Bob	SEPA	In Person
Halpin, Francis	Bonneville Power Adm.	Phone
Illian, Howard	Energy Mark	Phone
Lively, Mark	Utility Economic Engineer	In Person
McMillan, Meghan	NAESB	Phone
Monroe, Carl	SW Power Pool	Phone
Oberski, Lou	Dominion	In Person
Smith, William	Allegheny Power	Phone
Terelmes, Steve	Ameren Energy	In Person
Vandervort, Tom	NERC	In Person
Yeager, Walt	Cinergy	Phone