

**TO:** NAESB Wholesale Electric Quadrant, Posting for Interested Industry Participants  
**FROM:** Todd Oncken, NAESB Deputy Director  
**RE:** NAESB Wholesale Electric Quadrant Inadvertent Interchange Payback Task Force  
Conference Call Minutes – June 18, 2003  
**DATE:** July 6, 2003

**Wholesale Electric Quadrant  
Inadvertent Interchange Payback Task Force  
June 18, 2003, 2:00 p.m. to 4:00 p.m. Central**

**Draft Minutes**

**1. Welcome**

Mr. Terelmes called the meeting to order and welcomed participants. Mr. Oncken gave the antitrust advice. Participants introduced themselves. The agenda was adopted by general consent. Adoption of the minutes from the June 4, 2003 Inadvertent Interchange Payback Task Force (IIPTF) was deferred until the July 9, 2003 meeting.

**2. Business for Discussion**

Draft outline for standard development: Mr. Terelmes reviewed a draft standard development outline and proposal he prepared after the last IIPTF meeting. He stated the outline, while simple at this point, reflected the major points of discussion in previous IIPTF meetings. Participants discussed the outline. Participants generally agreed on the outline, but Mr. Terelmes proposed some modifications to reflect the discussion. One point of clarification was that Item D, Models, would contain the final pricing model and examples of that model's application. Mr. Terelmes said the outline would also contain information on principles, scope, open issues and supporting documentation. Additionally, Mr. Terelmes proposed subcommittee participants spearhead each topic through completion. [Attachment 1 reflects the modified outline and proposed subcommittee member assignments.]

During discussion of the outline the issue of data integrity arose. Mr. Illian stated that while the IIPTF has assumed the data would support the standard, it is unclear who will be responsible for calculating inadvertent data in the future. He suggested that issue must be addressed for the IIPTF work to have meaning. Mr. Goss questioned how NERC, from a reliability standpoint, could ignore some method of inadvertent calculation. Mr. Vandervort noted industry has responded inadvertent interchange was a commercial issue, not reliability issue. Mr. Goss stated the inadvertent numbers are not a business practice, they are a reflection of the operation of the system. Nevertheless, Mr. Bilke noted NERC's reliability purposes can be served by monthly inadvertent accounting, but to settle inadvertent interchanges in the manner being discussed there should probably be hourly accounting.

Mr. Illian suggested gathering additional information on the issue of data collection and integrity to be used in subsequent discussions on the issue. Mr. Goss agreed to the concept, but reminded participants it has already been established that the calculation of the inadvertent balances are outside the scope of the IIPTF. Mr. Goss suggested referring the issue back to the Executive Committee and noted the Standards Review Subcommittee is charged with identifying and working on issues that might fall through the cracks in the coordination of efforts between NERC and NAESB.

Mr. Vandervort suggested the issue of inadvertent should be addressed in three areas: 1) developing the calculation for inadvertent; 2) the accounting method for the inadvertent (may be a

NERC function, but hourly accounting is different than the current NERC process); 3) settlement of inadvertent balances (probably clearly a NAESB task). Additionally, Mr. Green suggested a method for dispute resolution should be determined.

Given the nature of the issues and current discussion, Mr. Terelmes suggested discussion regarding data be deferred until the July 8 meeting.

Questions submitted by MISO: Mr. Terelmes opened discussion of the questions submitted by MISO regarding the IIPTF work. Mr. Cox prepared answers to the question and those answers were discussed in conjunction with the questions posed by MISO. [Attachment 2 reflects the questions and Mr. Cox's answers to those questions.] While Mr. Bilke noted he was not personally overly concerned about the questions, they were issues that would need to be addressed prior to completion of IIPTF work.

During discussion on the questions submitted by MISO, discussion shifted to a pending MISO proposal. It was explained the MISO proposal would accommodate cash flows within MISO for inadvertent interchanges, such that any party that overgenerates will receive payment. Regarding application of the proposal, Mr. Bilke stated the accounts would first be settled within MISO, and then be settled with parties external to MISO. Mr. Goss stated under the proposal MISO would function as a control area would currently function regarding inadvertent interchanges. Applying the proposal to the IIPTF work, Mr. Terelmes said MISO would be the settlement agent with the interconnect. Mr. Bilke noted the MISO process would be settled internally hourly, but with NERC monthly. Mr. Illian initiated discussion of pricing in the MISO proposal. Specifically, he was interested in the safeguards in place to resolve the issue of gaming based on price. Mr. Bilke stated that is an open issue, but it is expected zone pricing will work to solve the issue. It was noted the MISO proposal does not account for 'good or bad' inadvertent, just the base number.

Mr. Cox said the NAESB proposal addresses the gaming issue through its expectation that any standard developed will be strong enough to prevent gaming. Mr. Terelmes noted the full scope of the NAESB standard is settling the inadvertent that exists, regardless of its characteristics. Mr. Blohm also noted that locational pricing is being considered to address concerns about system congestion [or other factors behind locational price differences](#).

Mr. Vandervort reflected on NERC work that would have implications on IIPTF efforts. He stated the Balancing Resources and Demand SAR is in the drafting stage, and the Operating Within Limits SAR has been posted once as a draft standard and should be posted again in July. Mr. Terelmes said any IIPTF standard developed is going to work with the referenced SARs to create a complete package.

It was recommended participants of the IIPTF, if they have not done so already, review work papers posted for previous IIPTF meetings paying special attention to the following documents, as posted on the WEQ Market Operations Subcommittee page of the NAESB web site:

- NERC Joint Inadvertent Interchange Task Force Whitepaper, May 10, 2002:  
[http://www.naesb.org/pdf/weq\\_mos012403w5.pdf](http://www.naesb.org/pdf/weq_mos012403w5.pdf)
- Revised Inadvertent Interchange Energy Pricing Alternatives paper, May 28, 2003:  
[http://www.naesb.org/pdf/weq\\_iiptf060403w3.pdf](http://www.naesb.org/pdf/weq_iiptf060403w3.pdf)

It was noted the JIITF paper could serve as a good reference, but should not be considered determinative of the issues involved.

Identification of Pricing Environments (continuation of discussion started in DC): Participants agreed to continue discussion on pricing at the July 8 meeting in Colorado Springs.

Other Issues: Mr. Terlemes set the preliminary agenda for the July 8 meeting. Discussion items included: continue discussion of Howard's model; continue discussion on pricing - ie. a method to calculate an hourly price; development of the actual standards - including discussion of the revised draft outline. It was agreed discussion of the frequency price component would be suspended while work continues on the energy price component.

### **3. Calendar of Meetings**

The next IIPTF meeting is scheduled for July 9, 2003 in Colorado Springs, CO.

### **4. Adjourn**

Mr. Terlemes adjourned the meeting at 3:30 p.m. Central.

### **5. Meeting Attendees**

Name Company Notes

Denise Ayers Duke Energy

Terry Bilke Midwest ISO

Robert Blohm ~~Not Provided~~ Economist

Keith Comeaux Cleco Power

Regina Corrado Exelon

Phil Cox AEP

Ed Davis Entergy

Mark Fidrych WAPA

Larry Goins TVA

Bob Goss SEPA Chair

Terri Grabiak Allegheny Power

Barry Green OPG

Paul Hicks Progress Energy

Howard Illian Energy Mark

Barry Lawson NRECA

Cecilia Liang-Nichol Allegheny Energy Supply

Greg Locke NC Power

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