



## North American Energy Standards Board

1301 Fannin, Suite 2350, Houston, Texas 77002  
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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 – October 6, 2003

**DATE:** November 3, 2003

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**Wholesale Electric Quadrant  
Inadvertent Interchange Payback Task Force  
October 6, 2003 (9:00am – 3:00pm MST)  
Final Minutes**

### 1. Administrative

Mr. Terelmes gave the antitrust advice. The agenda was adopted as written absent objection. Modifications were made to the August 20, 2003 draft minutes, and the minutes were adopted as modified absent objection. Modifications were made to the September 15-16, 2003 draft minutes, and the minutes were adopted as modified absent objection.

### 2. Update on Previous Action Items

Mr. Terelmes reviewed the previous action items.

### 3. Discussion of Posted Motions

Mr. Terelmes, Mr. Lively and Mr. Blohm reviewed their motions. The task force discussed each motion and revisions were made as necessary. The final motions are reflected below along with the balanced voting record. For a detailed record of the raw votes, please see the attachment to these minutes.

#### Motion 1:

Moved by Mr. Terelmes and seconded by Mr. Goins. “The settlement of inadvertent as the IIPTF was tasked will be broken down into four components. 1) Inadvertent energy hourly measurement 2) Frequency hourly measurement 3) Hourly valuation for inadvertent energy 4) Valuation for contribution to frequency deviation. Valuations can be considered positive, negative or zero, and this does not preclude physical payback.

Discussion and vote:

Mr. Cox suggested a friendly amendment to the motion by adding the phrase “This does not preclude physical payback” to the end of the motion. Both motioner and seconder agreed to the amendment. Upon a balanced vote, the motion passed. A record of the balanced vote is shown below.

Segment	Votes Cast			Balanced Vote		
	YES	NO	TOTAL	YES	NO	TOTAL
Transmission	2	1	3	1.333333	0.666667	2
Generation	4		4	2	0	2
Marketers/Brokers	2		2	2	0	2
Distribution/LSE			0	0	0	0
End Users	2	1	3	1.333333	0.666667	2
Total	10	2	12	6.666667	1.333333	8



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Motion 2:

Moved by Mr. Terelmes and seconded by Mr. Illian. “The IIPTF task force recognizes that inadvertent energy and frequency deviation must be measured before it can be valued. However, the measurement of inadvertent energy and frequency deviation lies outside the scope of the IIPTF and will be a task reserved for NERC. The data received from NERC will be a sufficient measurement of inadvertent energy and frequency deviation.”

Discussion and vote:

There was no discussion on the motion. Upon a balanced vote the motion passed. A record of the balanced vote is shown below.

Segment	Votes Cast			Balanced Vote		
	YES	NO	TOTAL	YES	NO	TOTAL
Transmission	2		2	2	0	2
Generation	4		4	2	0	2
Marketers/Brokers	2		2	2	0	2
Distribution/LSE			0	0	0	0
End Users	3	1	4	1.5	0.5	2
<b>Total</b>	<b>11</b>	<b>1</b>	<b>12</b>	<b>7.5</b>	<b>0.5</b>	<b>8</b>

Motion 3:

Moved by Mr. Terelmes and seconded by Mr. Blohm. “NERC has agreed to provide inadvertent energy and frequency deviation measurements with hourly granularity. Although payback of inadvertent energy and contribution to frequency deviation shall be performed for each hour, reporting of such hourly information to be used for settlement purposes shall occur at such time intervals as deemed feasible by NERC. The IIPTF will accept the limitation of monthly measurement reporting frequency until such time that technology and NERC allow this data to be reported more frequently.”

Discussion and vote:

The task force discussed the motion and amendments were accepted. The above motion reflects the modifications made during discussion. Upon a balanced vote the motion passed. A record of the balanced vote is shown below.

Segment	Votes Cast			Balanced Vote		
	YES	NO	TOTAL	YES	NO	TOTAL
Transmission	2	1	3	1.333333	0.666667	2
Generation	5		5	2	0	2
Marketers/Brokers	2		2	2	0	2
Distribution/LSE			0	0	0	0
End Users	3		3	2	0	2
<b>Total</b>	<b>12</b>	<b>1</b>	<b>13</b>	<b>7.333333</b>	<b>0.666667</b>	<b>8</b>

Motion 4:

Moved by Mr. Terelmes and seconded by Mr. Oberski. “In an effort to arrive at a better method for the settlement of inadvertent, the IIPTF will consider only two basic methodologies. 1) Financial settlement for inadvertent 2) Physical settlement of inadvertent. The fact that inadvertent has at least two components, also allows for a combination of the above methodologies.



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### Discussion and vote:

There was a brief discussion concerning the relation of this motion to Mr. Lively's motions. Upon a balanced vote the motion passed unanimously. A record of the balanced vote is shown below.

Segment	Votes Cast			Balanced Vote		
	YES	NO	TOTAL	YES	NO	TOTAL
Transmission	3		3	2	0	2
Generation	5		5	2	0	2
Marketers/Brokers	2		2	2	0	2
Distribution/LSE			0	0	0	0
End Users	4		4	2	0	2
Total	14	0	14	8	0	8

### Motion 5:

Mr. Lively moved and the motion failed to obtain a second. The chair ruled the motion failed. The proposed motion read as follows:

"Absent an explicit bilateral agreement between control areas to address unscheduled flows of electricity, unscheduled flows shall be cashed out on a coordinated basis with market driven prices that reflect the value of energy, frequency, and location, as recognized in the findings of the NERC Joint Inadvertent Interchange Task Force."

### Motion 6:

Mr. Lively moved and the motion failed to obtain a second. The chair ruled the motion failed. The proposed motion read as follows:

"For purposes of such a cashing out, inadvertent interchange shall include both active power and reactive power."

### Motion 7:

Moved by Mr. Blohm and seconded by Mr. Illian. "Whereas IIPTF members cannot be deemed responsible for judging on their own the ultimate economic/market workability of the motions they are voting on, the IIPTF resolves to seek funds from any available government or private source to subject any Standard the IIPTF proposes/agrees on, to rigorous testing at an established economics lab before final adoption by NAESB and submission to FERC."

### Discussion and vote:

Mr. Goss voiced concerns that this motion implies the members of the IIPTF are not confident in their ability to develop workable standards, and stated it may not be viable to run these tests because it may severely delay the progress of drafted standards. Concerns were voiced about the cost of these tests and the level of industry knowledge the "established economics labs" may have. Mr. Oberski stated this motion is premature because the subcommittee has not drafted standards to test.

Mr. Illian moved, seconded by Mr. Oberski to table the motion until standards have been developed. Upon a procedural vote the motion was tabled.



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### Motion 8:

Moved by Mr. Blohm and seconded by Mr. Illian. "The IIPTF defines a Balancing Authority's Inadvertent Interchange as its Inadvertent Interchange 'with the interconnection.'"

Discussion and vote:

Amendments were made to the motion during discussion, and are reflected in the above language. Upon a balanced vote the motion passed. A record of the balanced vote is shown below.

Segment	Votes Cast			Balanced Vote		
	YES	NO	TOTAL	YES	NO	TOTAL
Transmission	3		3	2	0	2
Generation	5		5	2	0	2
Marketers/Brokers			0	0	0	0
Distribution/LSE			0	0	0	0
End Users	3	1	4	1.5	0.5	2
Total	11	1	12	5.5	0.5	6

### Motion 9:

Moved by Mr. Blohm and seconded by Mr. Illian. "Whereas the energy price charged for electricity (a) differs between Balancing Authorities and (b) may or may not reflect congestion but (c) does not reflect the Inadvertent Interchange's contribution to frequency control, the IIPTF resolves that the parties to an Inadvertent Interchange of energy be charged or paid for that energy component of their Inadvertent Interchange at their own prevailing energy price (as determined in a separate motion, such as Motion 10), with any excess or deficit of funds "exchanged" accruing to the Interconnection/clearinghouse as adjustments to an operating fund it manages that is financed on the joint faith and credit of the combined Balancing Authority members of the Interconnection, with any distribution of surplus funds made on a pro-rata basis to all the Balancing Authority members of the Interconnection, such as generation-share, load-share, or NERC-defined "bias" share, as may be determined by the IIPTF in a subsequent motion defining "pro-rata."

Discussion and vote:

After a brief discussion Mr. Cox moved, seconded by Mr. Goins to table this motion. Upon a procedural vote the motion was tabled.

### Motion 10:

Moved by Mr. Blohm and seconded by Mr. Illian. "Whereas not all Balancing Authorities on an Interconnection have hourly spot markets available to them, the IIPTF resolves that the energy price to be paid or received by a Balancing Authority for the energy component of Inadvertent Interchange during the hour shall be either: (i) "the" hourly spot market price where accessible, or "average" locational price in case of different locational prices within the hourly spot market, otherwise: (ii) the out-of-pocket cost exactly as determined in the FERC Schedule-4 "Balancing Energy" tariff in force inside the Balancing Authority during that hour, but without the 10% penalties in the tariff (that all accrue to the tariff administrator)."

Discussion and vote:

Mr. Cox moved, seconded by Mr. Power to table the motion. Upon a procedural vote the motion was tabled.



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#### 4. Discussion of Settlement Counterparty

This item was not discussed.

#### 5. Calendar of Meetings

Mr. Goss noted that the discussion of settlement counterparty will be on the agenda for the next meeting. A date of November 4, 2003 was suggested for the next IIPTF meeting. Subsequent to the meeting, the next IIPTF meeting was scheduled for November 3, 2003 in Houston, TX.

#### 6. Adjourn

Mr. Cox moved, seconded by Mr. Lively to adjourn the meeting on October 6, 2003 at 3:00pm MST.

#### 7. Attendees

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Name	Company	In Person/Phone
Bilke, Terry	Midwest ISO	Phone
Blohm, Robert	Economist	In Person
Carter, Roman	Southern Company	Phone
Clark, Kim	Western Area Power Admin.	In Person
Comeaux, Keith	Cleco Power	Phone
Cox, Phil	American Electric Power	In Person
Davis, Ed	Entergy	Phone
Fleeger, Bruce	Allegheny Power	Phone
Garwodd, Steve	RJ Rudden Associates	In Person
Goins, Larry	TVA	In Person
Goss, Bob	SEPA	In Person
Illian, Howard	Energy Mark	Phone
Lively, Mark	Utility Economics Engineer	In Person
Locke, Greg	North Carolina Power Agency	Phone
Oberski, Lou	Dominion	In Person
Power, John	MISO	In Person
Robertson, Barb	OPG	In Person
Terelmes, Steve	Ameren	Phone
Vandervort, Thomas	NERC	Phone