



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 – November 3, 2003

DATE: November 6, 2003

**Wholesale Electric Quadrant
Inadvertent Interchange Payback Task Force
November 3, 2003 (12:00 p.m. – 5:00 p.m.)
Final Minutes**

1. Welcome

Mr. Goss opened the meeting and introductions were made. Mr. Cargas gave the antitrust advice. The agenda was adopted absent objection as written. The draft minutes from October 6, 2003 were adopted absent objection as written. [Subsequently during the meeting a motion was made to modify the October 6, 2003 draft minutes and adopt them as modified.]

2. Discussion of L. Goins Motion

Mr. Goins moved, seconded by Mr. Terelmes that the point at which inadvertent interchange ceases to be return-in-kind and becomes a financial settlement be no more stringent than the reliability guidelines established by NERC.

During the discussion phase, Mr. Terelmes stated Control Areas by definition have a responsibility to carry reserves and the IIPTF should not define a way to finance the reserves Control Areas are required to carry, but the task force should attempt to define a means to finance those who need to tap into Control Area reserves in the case of emergencies. Mr. Terelmes added the task force should decide if the scope of this motion falls within this group. Mr. Goss stated his interpretation of the motion is that there would be a dead band limit within which entities would be allowed to pay in-kind, and the dead band limit would be based on reliability guidelines set by NERC. Mr. Goins stated this interpretation was correct. Mr. Blohm stated there cannot be a fixed reliability dead band on any established NERC guideline because NERC standards are not based on an event at a single point in time, they are based on averages.

Mr. Terelmes solicited opinions from other Control Area representatives concerning the feasibility of this motion. Mr. Goss voiced his agreement that a dead band would work, and added that within this dead band entities would pay back inadvertent in-kind and outside the dead band pay back would be financial. Mr. Reed stated his agreement with the dead band method, but suggested the settlement of these issues should still be mutually agreeable. Mr. Green voiced concerns about the issue of the link between reliability and inadvertent payback, and noted that he believes the task force's goal was to develop a method for the financial settlement of inadvertent. Mr. Terelmes noted this motion discusses whether or not the collection within this bandwidth is too stringent and the task force needs to decide if a bandwidth is acceptable and if so it should be designed to prevent voluntary inadvertent. Mr. Blohm suggested the task force evaluate the costs and benefits of developing such a bandwidth.

Mr. Terelmes suggested the task force draft a friendly amendment to the motion containing language about the bandwidth, and noted they should address this issue in such a way that



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

participants will not feel doubly penalized while following both NAESB and NERC standards. Mr. Terelmes presented a memo sent to the NAESB office by Mr. Illian commenting on Mr. Goins' motion. The memo stated Mr. Illian would like to propose tabling Mr. Goins' motion pending further research on this issue.

Mr. Terelmes moved, seconded by Mr. Green to table Mr. Goins' motion. The motion was tabled. Mr. Terelmes stated the action items on this tabled motion are the presentations being prepared by Mr. Illian and Mr. Blohm for the next task force meeting.

3. Discussion of tabled motions

Mr. Terelmes suggested the group discuss motions tabled at the last meeting and identify action items for each.

Motion 7: "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 resolved 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."

Mr. Oberski reiterated his opinion that this motion is premature because the standards do not exist yet. Mr. Goss voiced concerns that requesting funds for testing is not within the scope of this task force. Mr. Terelmes stated the task force needs to decide whether this motion is within the scope of this task force or even if NAESB should be responsible for testing these standards. Mr. Terelmes volunteered to discuss NAESB's position on this issue with Ms. McQuade.

Motions 9 & 10: Motion 9: "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."

Motion 10: "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)."

Mr. Green noted the action item for these motions is continued education on the frequency component.

Mr. Lively noted changes he would like to make to the minutes of the October 6, 2003 meeting. Mr. Lively moved, seconded by Mr. Blohm to amend the October 6, 2003 WEQ IIPTF meeting minutes to replace the reference to motion four in motion nine with a reference to motion ten. The motion carried absent objection. [This change is reflected above.]



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. Goss voiced concerns that the following terms contained in motion nine require further definition: "clearing house" and "faith and credit". Mr. Terelmes stated "distribution of surplus funds" needs to be defined as well.

Motion 2: "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 and the current hourly data is deemed sufficient until such time that technology allows this data to be more accurate."

Mr. Vandervort voiced concerns about the wording in the last sentence of this motion and suggested the group should modify this motion to replace the word "hourly" with the word "monthly." After extended discussion of this motion, it was decided to modify the motion by striking part of the last sentence. Mr. Terelmes moved, seconded by Mr. Goins to modify motion two to read as follows: "The IIPTF task force recognizes that inadvertent energy and frequency deviation must be measured before it can be valued. However, the measurements 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." The motion passed absent objection.

4. Task force 2003 Evaluation

Mr. Terelmes noted he would like the task force to pursue the goal of drafting standards by the end of 2004, and asked participants to provide input concerning the group's progress to date.

Mr. Goss stated one of the accomplishments of this task force has been to develop a standards request in order to move forward with the development of standards, and there has also been a lot of education and research required in order to better understand the issue of inadvertent settlements. Mr. Blohm noted the components of the inadvertent issue have been distilled and dissected, and added this group has provided a lot of development for the energy component. Mr. Terelmes stated the task force has developed a more solid definition of their goals regarding standards and there have been formal motions made to move the task force closer to drafting standards.

Mr. Terelmes stated he would like to identify clear objectives for 2004. Mr. Goss identified the following issues that he would like the task force to address for 2004: determine a pricing mechanism for energy, develop a recommendation for defining "clearing house", address the dead band issue, develop a methodology for evaluating the frequency component, determine if inadvertent will be settled financially, physically or both, and address the issue of creditworthiness. Mr. Lively stated the task force should decide if reactive power will be considered as the task force addresses inadvertent interchange.

Mr. Terelmes suggested the above issues be addressed in the following order:

- Pricing mechanisms for energy (December)
- Developing a methodology for evaluating frequency control (December)
- Settlement of inadvertent physically and/or financially (January)
- Discussion of the dead band issue (January – February)
- Discussion of reactive power (February)
- Discussion of clearing house
- Discussion of creditworthiness



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

5. Calendar of Meetings

Mr. Terelmes suggested the next WEQ IIPTF meeting be held on December 10 (9:00 a.m. – 4:00 p.m.) – 11 (9:00 a.m. – 3:00 p.m.) in Houston at the NAESB offices.

7. Adjourn

Mr. Reed moved, seconded by Mr. Goss, to adjourn the meeting on November 3, 2003 at 4:38 p.m. Central.

8. Attendees

Name	Company	In Person/Phone
Bilke, Terry	Midwest ISO	Phone
Black, Shannon	SMUD	Phone
Blohm, Robert	Consulting Economist	In Person
Camp, Yvette	Southern Company	Phone
Davis, Ed	Entergy	Phone
Goins, Larry	TVA	Phone
Goss, Bob	SEPA	In Person
Green, Barry	OPG	In Person
Halpin, Francis	Bonneville Power Admin.	Phone
Lively, Mark	Utility Economics Engineer	In Person
Locke, Greg	North Carolina Power	Phone
McMillan, Meghan	NAESB	In Person
Reed, Tony	Southern Company	In Person
Rosenbergm Marvin	FERC	In Person
Smith, William	Allegheny Power	Phone
Terelmes, Steve	Ameren	In Person
Vandervort, Tom	NERC	Phone