



North American Energy Standards Board

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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 – December 11, 2003

DATE: January 19, 2004

**Wholesale Electric Quadrant
Inadvertent Interchange Payback Task Force
December 11, 2003 (9:00 a.m. – 3:00 p.m. Central)**

1. Welcome

Mr. Terelmes opened the meeting and Mr. Cargas gave the antitrust advice. Introductions were made. Mr. Terelmes suggested motions may be presented at any time. The agenda was adopted absent objection. The November 3, 2003 draft minutes were adopted as modified absent objection.

2. Discussion of Presentations and Formulation of Motions

Mr. Illian moved, seconded by Mr. Reed, that “the IIPTF consider the settlement of reactive power to be out of scope with our charge and no longer be included as an issue in our discussion.” Mr. Lively stated this issue should be handled consistently with the handling of inadvertent interchange. Mr. Reed agreed that at some point reactive power should be addressed but at this time the group should move forward by focusing on inadvertent interchange. Upon a procedural vote the motion passed.

Mr. Lively stated Mr. Cox asked him about “Seed Determination.” Mr. Lively noted his power point presentation discusses this and asked if he might present this during the meeting. Mr. Lively gave a short power point presentation explaining detailed charts illustrating Seed Determination with Frequency and Time Error and discussed Price Response. Mr. Terelmes voiced concerns about the discussion moving out of the scope previously determined based on motions made during past meetings. Mr. Lively stated Time Error is part of Frequency; Time Error and Frequency will be included in the data from NERC or can be calculated from this data.

Mr. Illian moved, seconded by Mr. Cox, “that the discussion of Time Error is consistent with the issue of Frequency.” Upon a procedural vote the motion passed absent objection.

Mr. Illian moved, seconded by Mr. Blohm that “any methodology unable to represent negative energy prices is incompatible with a reasonable inadvertent settlement methodology, and therefore should be eliminated from discussion.”

Mr. Henery asked if the IIPTF has set a goal to select a particular method of settling inadvertent and applying this method to every industry participant in the country. Mr. Terelmes stated the task force is investigating various different methods of settlement, not precluding methods currently in use, and any method decided upon will then go through the NAESB process to be approved as a standard. Mr. Reed recommended the task force not recommend a standard with the thought that it will be voluntary because there is a very good chance that it may become mandatory. Mr. Henery stated the Western Interconnect has methodologies in place for the settlement of inadvertent and voiced concerns about the task force mandating any particular method. Mr. Henery suggested it might be best that recommended standards simply rank possible settlement options, but leave the determination of method up to the interconnection.



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Mr. Terelmes moved, seconded by Mr. Goins to call the vote. Upon a procedural vote, the motion passed.

Upon a procedural vote, Mr. Illian's motion passed.

Mr. DiCaprio reviewed the following commonalities/agreements in the task force: pay for inadvertent and recognize frequency. He also reviewed the following differences/disagreements: use of reliability issues (L10, CPS, etc.), how to include frequency, energy price (market energy price, computed price, marginal price), timing, drivers (should we be worried about time error, frequency, etc. or the commercial side), data (frequency and hourly collection), and price. Mr. DiCaprio stated the task force should focus on cleaning up the common issues then decide if a band width is appropriate or not. He voiced concerns about the IIPTF dealing with reliability issues. He suggested the group focus on developing a consensus on issues that have not been solved yet. Mr. Terelmes noted some of these issues have been discussed at previous meetings and he reviewed the mission of the task force and past motions that were made.

Mr. Henery stated any standard drafted by this task force should be at a very high level. Mr. Green suggested another solution would be a more detailed standard(s) including regional differences. Mr. Henery stated simplicity is very important to the end user and regardless of which methodology is suggested it needs to meet the standard at a very general level.

Mr. Cox stated the task force should take a look at Mr. Illian's and Mr. Blohm's proposals with the goal of obtaining a relatively simple solution. Mr. Illian noted he is in favor of any methodology that is simple and works, but that we should focus on methodologies that have been researched and evaluated. He suggested the task force should test Mr. DiCaprio's suggested method just as we have tested others. Mr. DiCaprio stated he will prepare a presentation for his method for the next IIPTF meeting.

Mr. Illian moved, seconded by Mr. Blohm, that "for in kind settlement, the IIPTF should eliminate from the discussion the use of dead bands except dead bands based in the frequency domain."

Mr. Henery voiced concerns about the motion and stated that it is in violation of earlier discussion. Mr. Illian stated this motion does not say an entity cannot take an energy band and use it for the basis of adding a penalty, it only has to do with the issue of settling inadvertent. The motion specifically reflects the settlement of inadvertent in kind.

Upon a procedural vote, the motion failed.

Mr. Henery moved, seconded by Mr. Goins that "the IIPTF write a standard that may include an allowance for each interconnection to develop a method that settles inadvertent and corrects frequency error to operate in a manner to compensate for inadvertent in an interconnection's selected time intervals."

Mr. Henery stated the motion is looking at producing a standard with the objective that any method an interconnection may have to settle inadvertent or correct time errors can be selected by the interconnection. He suggested the standard should include important aspects for the settlement process from a business prospective and should encourage participants to operate within a reliability standard already in existence.

Mr. Terelmes asked if Mr. Henery would accept a friendly amendment to his motion and suggestion the following: in interconnections that do not have a standard writing body then NAESB would assume this responsibility. The friendly amendment was modified to add "may include an allowance for" and agreed to by the motioner and seconder.

Upon a procedural vote, the motion passed.



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Mr. Lively moved, seconded by Mr. Oberski that “the IIPTF supports a cash-out of inadvertent interchange during each specific time interval by setting a price for that time interval for the difference between actual power flows during that time interval minus scheduled power flows during that time interval. During intervals that violate NERC’s standard for periods of unacceptable surplus, such as unacceptably high frequency, the price may be negative.”

Mr. Green voiced concerns that this motion is premature due to the fact that Mr. DiCaprio will be presenting this method at the next meeting, and he moved, seconded by Mr. Power, to table the motion until the next meeting. The motion passed absent objection.

3. Calendar of Meetings

The following dates and times were suggested for the next IIPTF meeting: January 22, 2004 (9:00 a.m. – 4:00 p.m. Central) and January 23, 2004 (9:00 a.m. -12:00 a.m. Central). It was noted that the agenda will include Mr. DiCaprio’s presentation as well as motions 9 and 10 from the IIPTF meeting a month ago.

4. Adjourn

Mr. Lively moved, seconded by Mr. Power, to adjourn the meeting on December 11, 2004 at 2:05 p.m. Central.

5. Attendees

| Name | Company | In Person/Phone |
|------------------|---------------------------------|-----------------|
| Bilke, Terry | Midwest ISO | Phone |
| Blohm, Robert | Consulting Economist | In Person |
| Comeaux, Keith | Cleco Power | Phone |
| Cox, Phil | AEP | In Person |
| Davis, Ed | Entergy | Phone |
| DiCaprio, Albert | PJM | In Person |
| Goins, Larry | TVA | In Person |
| Green, Barry | Ontario Power Generation | In Person |
| Halpin, Francis | Bonneville Power Administration | Phone |
| Hedson, Jim | PSEG | Phone |
| Henery, E. Nick | SMUD | In Person |
| Illian, Howard | Energy Mark | In Person |
| Lively, Mark | Utility Economics Engineer | In Person |
| McMillan, Meghan | NAESB | In Person |
| Oberski, Lou | Dominion | In Person |
| Power, John | MISO | In Person |
| Reed, Tony | Southern Company | In Person |
| Terelmes, Steve | Ameren | In Person |
| Ulch, Dean | Southern Company | Phone |
| Welch, John | Xcel Energy Markets | In Person |