



NORTH AMERICAN ELECTRIC RELIABILITY COUNCIL

Princeton Forrestal Village, 116-390 Village Boulevard, Princeton, New Jersey 08540-5731

NAESB-NERC Joint Interface Committee

March 21, 2003 — 9 a.m.–3 p.m.
EEI Offices
Washington, DC

Meeting Minutes

Attendance

NAESB Members

Michael Desselle, Co-chair
Steven Corneli
David McMillan (phone)
Charles Yeung (phone)
John A. Anderson
Syd Berwager

NERC Members

Ricky Bittle, Co-chair
Sam R. Jones
Edward Schwerdt (phone)
Ronald Threlkeld
Mark Fidrych

NAESB Alternates

Barry Green
Robert Goss
Edward Davis (phone)
Mary Ellen Paravalos
Alan Johnson (phone)
Andy Dotterweich (phone)
Jim Templeton (phone)

NERC Alternates

Linda Campbell (phone)

Secretary

Tim Gallagher

Guests:

Rae McQuade, NAESB
David Cook, NERC
Joelle Ogg, Esq. (Anti-trust Counsel)
David Hoffman (Transcriber)
Rich Wodyka, PJM
Barry Lawson, NRECA
John Williams (NAESB Board member)
Ken Brown, Public Service E&G
Dave Scarp, Baltimore G&E
Cecilia Liang-Nicoll, Allegheny Energy (phone)
William Smith, Allegheny Power (phone)

1. All present and those attending via teleconference were introduced. Transcripts will be kept of JIC meetings and a transcriber attended this meeting. Joelle Ogg, of counsel with John & Hengerer, served as anti-trust counsel for the meeting and reviewed the anti-trust guidelines. A quorum of NERC and NAESB members was established.

2. The agenda was approved. Tim Gallagher requested that an item be added to address a pending 'urgent action' request expected to be submitted to the NERC process in the near future.
3. Meeting minutes will be prepared and circulated shortly after JIC meetings. JIC members will be given a week to review the minutes, after which they will be modified as necessary and finalized by the co-chairs.
4. Michael Desselle reviewed JIC voting procedures, as contained in Appendix C of the NAESB-NERC memorandum of understanding (MOU).
5. Michael Desselle presented an overview of the NERC-NAESB-RTO MOU that was approved by the NAESB Board on March 20, 2003. This MOU is a re-stated and amended version of the current NAESB-NERC MOU and will replace the current MOU when approved by all three parties. In addition to expanding the JIC to include representatives from the ISO/RTO Council with voting rights equal to NERC and NAESB representatives, the new MOU will include provisions to share and review annual plans developed by all three parties.

NERC's Board of Trustees will vote on the re-stated and amended MOU on March 25, 2003. The ISO/RTO Council is expected to vote on the amended MOU on or before April 21, 2003.

6. Steve Corneli presented the status of the implementation of the NAESB wholesale electric quadrant's 2003 annual plan. Mr. Corneli reported that good progress has been made and that industry participation in the effort to date is encouraging.
 - a. A standards review subcommittee has been formed to review proposed NERC reliability standards with the goals of helping prepare NAESB members to comment and participate in the development of these standards and improving NAESB-NERC coordination.
 - b. The market operations subcommittee is reviewing and assessing existing industry practices for scheduling, cyber security, trading, etc., as prescribed in the annual plan. The subcommittee will prioritize the development of these items.
 - c. The contracts subcommittee is working to enhance existing agreements and is also reviewing other industry credit issue and trading documents and agreements.
 - d. The market standards subcommittee is waiting for further FERC guidance before moving forward with their annual plan items.
7. Ricky Bittle presented the status of the implementation of the NERC 2003 annual plan for reliability standards development. Mr. Bittle reported that there have been no changes to the annual plan shared with JIC in January and that NERC is proceeding as listed in the plan's timelines. The NERC Standards Authorization Committee (SAC) formed a group to review and develop future annual plans.
8. Ricky Bittle presented an overview of a proposed NERC reliability standard submitted to the JIC for review. The purpose of the proposed standard is to determine facility ratings, system operating limits, and transfer capabilities necessary to plan and operate the bulk electric system within predefined facility and operating limits such that cascading outages, uncontrolled system separation, and voltage and transient instability are avoided.

This standard will not address available transfer capability (ATC) or its associated margins (transmission reliability margin and capacity benefit margin), as these were identified as items that may be more suited as business practices during the industry review of the proposal for this standard.

Motion: Send this proposal to the NERC process for development. (Ricky Bittle)

Second: Sam Jones

Discussion: The following comments were made:

- John Anderson asked that all dissenting opinions, the steps taken to address them, and whether these opinions were resolved to be carried through the development of the standard and be disclosed to the JIC in the future submissions. Several other JIC members echoed this comment. Syd Berwager commented that the focus of information presented to the JIC should be needed for the JIC to make an assignment decision.

Vote: A vote on Mr. Bittle's motion was conducted. The motion to assign the development of this standard to the NERC process passed by unanimous vote of all NAESB and NERC members.

9. Mary Ellen Paravalos presented an overview of a proposed business practice standard to address inadvertent interchange payback submitted to the JIC for review. Ms. Paravalos explained that this issue was introduced into the NAESB process by NERC and is being handled by NAESB's market operations subcommittee. The purpose of the proposal is to develop standards to account for and settle inadvertent energy payback. NERC supplied background information to help bring the subcommittee up to speed and has participated in work done to date on the standard.

Motion: Assign this proposal to the NAESB process for development (Mary Ellen Paravalos)

Second: Mark Fidrych

Discussion: The following comments were made:

- John Anderson asked if the proposal had been posted for industry comment.
- Rae McQuade explained that the request was posted and comments are welcome, but not formally solicited by NAESB during this stage of the proposals development.
- Mr. Anderson requested that in the future, the JIC be notified whether or not NAESB proposals have been posted, whether comments were received, and if unresolved issues were raised during subcommittee meetings. Ms. McQuade agreed.
- Linda Campbell expressed concern that the NAESB proposals may not contain enough information for the JIC to make an informed decision. Ms. Paravalos and Mr. Corneli acknowledged this and stated that they will attempt to provide more detail in the future.

Vote: A vote on Ms. Paravalos' motion was conducted. The motion to assign the development of this standard to the NAESB process passed by unanimous vote of all NAESB and NERC members.

10. Rae McQuade presented an overview of a proposed enhancement to an existing Funds Transfer Agent Agreement to include electricity transactions to support retail energy provider supply

requirements and wholesale power transactions. Ms. McQuade explained that this proposal is a modification of an agreement that has been used for seven years in the gas industry.

Motion: Assign this proposal to the NAESB process for development (Steve Corneli)

Second: Sam Jones

Discussion: The following comments were made:

- Some JIC members questioned specific provisions in the agreement, but it was agreed that these issues will be handled during the NAESB standards development process and are not JIC concerns.

Vote: A vote on Mr. Corneli's motion was conducted. The motion to assign the development of this standard to the NAESB process passed by unanimous vote of all NAESB and NERC members.

11. Tim Gallagher informed the JIC that a group is currently preparing an 'urgent action request' for the emergency development of a NERC reliability standard dealing with cyber security. Urgent action requests are to be used only in cases in which a delay in the implementation of the standard will result in a threat to electric system reliability. This request is being developed due to the world climate and the increased occurrences of cyber intrusion attempts. The proposal will be submitted to the JIC for review, assuming the NERC standards authorization committee approves it.

The following steps are followed under NERC's urgent action request provision:

- a. The requestor develops both the standard authorization request and the standard and submits both to NERC's Standard Authorization Committee (SAC) simultaneously.
- b. The SAC reviews the request and authorizes it as an urgent action standard, provided proper justification for this action is provided by the requestor.
- c. The JIC will be given the opportunity to review the proposed standard.
- d. The standard is posted for public review for 30 days and a ballot pool is formed for the standard. The posting is intended to provide the electorate the opportunity to become familiar with the standard before casting a ballot.
- e. A ten-day electronic ballot is conducted.
- f. If at least 2/3 of the weighted segment vote is affirmative, the standard passes.
- g. The standard is submitted to the NERC Board of Trustees for adoption.
- h. The standard is implemented and compliance reviews are conducted.

Some JIC members expressed concern that the urgent action request process, in general, may result in conflicts with other standards or infringe upon business practices. For this reason, it is very important that market participants pay particular attention to such requests. Mr. Gallagher explained that in this particular case, the standard being drafted is based upon work done by NERC's critical infrastructure and protection advisory group, which has been vetted by the industry.

The role of the JIC in urgent action requests was discussed. Although the memorandum of understanding does not specifically address this situation, JIC members agreed that the JIC's role here is to ensure that coordination of standards development occurs.

Steve Corneli asked whether NAESB members would be involved in the development of the standard. Mr. Gallagher stated that several NAESB representatives, including Rae McQuade and Michael Desselle will be attending the next drafting session.

Some JIC members suggested that NAESB also consider developing cyber security standards for business practices. Ms. McQuade stated that the 2003 NAESB plan has provisions for this.

12. Future Meetings

- a. A conference call to review the NERC urgent action request as described in item 11 was set for the afternoon of April 2, 2003. Rae McQuade will coordinate the call.
- b. Michael Desselle will contact the RTO/ISO Council to see if a meeting on May 22, 2003 in San Diego fits their schedule. Because the NERC SAC is meeting in San Diego on May 21, this will provide an opportunity for members of both committees to attend both meetings. The May meeting will be the first meeting of the expanded JIC (assuming the amended MOU is approved by NERC and the Council). An alternate date for the next meeting is June 2 in Washington, DC.