NORTH AMERICAN ELECTRIC RELIABILITY COUNCIL

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

NERC-NAESB-ISO/RTO Council Joint Interface Committee Meeting

June 2, 2003
EEI Offices — Washington, DC
1:00 p.m. to 5:00 p.m. Eastern

Meeting Minutes

Attendance

NAESB Representatives
John Anderson
Syd Berwager
Steve Corneli
Michael Desselle
Barry Green (for Dave McMillan)
Dale Landgren
Charles Yeung
Ed Davis (phone) (alt)
Andy Dotterweich (alt)
Alan Johnson (alt)
Jim Templeton (alt)
Mary Ellen Paravalos, National Grid (alt)
Gary Jackson (alt)

NERC Representatives
Ricky Bittle
Mark Fidrych
Wally Johnson
Sam Jones
Ed Schwerdt (phone)
Ed Tymofichuk (phone) (for Ron Threlkeld)
Linda Campbell (phone) (alt)

IRC Representatives
Nick Brown
Karl Tammar
Dave Goulding
Bill Museler
Bruce Balmat
Kent Saathoff (phone)

Other
Tim Gallagher, Secretary
Joelle Ogg, Anti-trust Counsel
David Hoffman, Transcriber

Guests
Bill Boswell, Dominion
Al DiCaprio (phone), PJM
David Cook, NERC
Don Benjamin, NERC
Glenn Ross, NERC Planning Committee Chair
Leonard Haynes, Southern Company
Rae McQuade, NAESB
Carl Monroe (phone), SPP
Bill Philips (phone), MISO
Barry Lawson (phone), NRECA
Dave Dworzak, EEI
Mark Bennett, EPSA

1. All present and those attending via teleconference were introduced. Transcripts of JIC meetings will be kept and a transcriber attended this meeting.

2. The agenda was unanimously approved. Joelle Ogg, of counsel with John & Hengerer, served as anti-trust counsel for this meeting and reviewed the anti-trust guidelines. A quorum was established for NAESB, NERC, and ISO/RTO Council (IRC) members.

3. Michael Desselle presented an overview of the amended and expanded memorandum of understanding (MOU) between NAESB, NERC, and the IRC. The agreement creates a forum for coordination of annual planning and also establishes a mechanism for the review of proposals for standards and their subsequent assignment to either NAESB or NERC for development.

4. Michael Desselle reviewed the role of the JIC and its voting procedures. Each contingent of the JIC receives an equal share of the vote, divided by the number of representatives present. Since a quorum was established for all three JIC contingents at this meeting, each received one-third of the vote.

5. The IRC representatives named Karl Tammar as their co-chair of the JIC. Mr. Tammar joins Michael Desselle (NAESB) and Ricky Bittle (NERC) as co-chairs.

   Mr. Tammar agreed to forward a list of IRC representatives to the JIC to Tim Gallagher.

6. Steve Corneli presented an overview of the activities of a small team (Mr. Corneli, Don Benjamin, Karl Tammar) assembled to coordinate NAESB-NERC-IRC activities. This team developed a draft proposal for achieving this coordination, but was not prepared to share the document during the meeting. The team plans to refine the draft proposal with the intent of presenting it to the MOU principals.

   Highlights of the proposal:

   - The goal of this effort is to reduce overlap and duplication among the three organizations.
   - The MOU was used as a guide in the development of the current draft.
   - The proposal is not limited to just JIC actions, as 'informal' coordination is also needed at levels below the JIC and with post-JIC activities.
   - The team believes that successful coordination depends on:
     - People (w/o decision making authority) communicating activities of each organization — informally.
     - Creating informal issue-specific pools of resources to deal with issues (such as seams issues) as they arise. These resources would be involved as the standards travel through the NERC or NAESB process.
     - Using each organization's process to help collectively develop needed reliability standards, business practices, and policies. Teams working on affiliated reliability standards and business practices should be available at the same meeting location to allow for overlap.

   Discussion:

   Although the JIC agreed that coordination between NAESB, NERC, and the IRC is beneficial, several JIC members questioned the approach being considered. Informal communications can be beneficial, but can also slow progress. It was stated that it appears as though this draft proposal could create a parallel and unnecessary bureaucracy. Concern was also raised about keeping abreast of informal meetings and the requirements for openness in the NAESB and NERC processes. Don Benjamin reinforced that the proposal's intent is to improve coordination among the three

organizations, and that all meetings would be conducted consistent with the requirements of each organization.

Several JIC members stated that the JIC's role must include more than just allocating standards development to NAESB or NERC for true coordination to occur. There was support for placing conditions upon NERC and NAESB when allocating a given standard to their respective processes.

Co-chairs Bittle and Desselle stated that it is not appropriate for the JIC to condition its assignments of standards development. The ANSI accredited NAESB and NERC processes are designed to accommodate input from the industry. Any comments the JIC wishes to make should be submitted via these processes. The JIC can provide comments and guidance, but must stop short of dictating the manner in which standards will be developed. Several JIC members supported this position. Others still maintained that such action by the JIC is acceptable.

Michael Desselle thanked the coordination team for their status report and asked that they complete a formal proposal and circulate it for JIC review. Glenn Ross further suggested that the proposal identify and separate near-term critical issues from longer-term ones. Mr. Corneli agreed on behalf of the team and will prepare the proposal in this manner. Mr. Corneli thanked the JIC for its input.

7. Tim Gallagher reviewed the status of the proposed NERC cyber security standard. The standard completed balloting on May 21, 2003 and was approved by the required two-thirds weighted segment industry vote. However, because negative votes with comments were submitted to NERC, this standard is subject to a recirculation ballot. The recirculation will occur in late June, after the standard drafting team has had the opportunity to review and respond to the comments (over 100 sets) submitted during the ballot.

8. Ricky Bittle introduced a proposal to develop a NERC standard for coordinating electric system operations. The NERC Standards Authorization Committee (SAC) authorized this proposal for standards drafting in late May. Mr. Bittle introduced Al DiCaprio, who presented the proposal on behalf of the NERC drafting team.

   This proposed standard requires NERC reliability authorities to coordinate their activities to preserve bulk electric system reliability. Specifically, the standard requires the development of reliability plans (next day security analysis, outages, system conditions, etc).

   Mr. DiCaprio stated that the drafting team developed this proposal using the input of industry commenters, consistent with NERC's standards development process.

   Motion (Sam Jones, Wally Johnson second): Assign development of the Coordinate Operations standard to the NERC process.

   Discussion:

   Concern was raised regarding possible market impacts and requirements for coordination of market data. Mr. DiCaprio explained that the standard would only apply to data necessary to preserve reliability.

   Concern was expressed that this standard may potentially limit system operator flexibility or add delay in implementing operational actions. Should rules be clearly documented so operators know what action to take? Mr. DiCaprio stated that the drafting team discussed this very issue because

limiting system operator actions is a serious problem. Based upon industry comments and drafting team discussion, it was concluded that documenting rules or procedures of this type was not acceptable. It is not possible to anticipate and develop procedures to fit every situation, nor is it desirable for system operators to consult NERC procedures in emergency situations. The compromise reached for the standard is that system operators be allowed to cooperate with each other in such situations, free of prescriptive rules.

Concern about the elimination of current NERC curtailment procedures ("TLR") contained in the operating policies was expressed. Mr. DiCaprio stated that industry consensus obtained during the development of this standard proposal was that TLR was not desirable. The standard will not require the use of a common curtailment procedure. This is a market issue, which NAESB may wish to consider.

Vote:

IRC — Unanimous approval of Mr. Jones' motion
NAESB — Unanimous approval of Mr. Jones' motion
NERC — Unanimous approval of Mr. Jones' motion

Motion carries

9. Ricky Bittle introduced a proposal to develop a NERC standard for coordinating interchange. The NERC Standards Authorization Committee (SAC) authorized this proposal for standards drafting in late May. Mr. Bittle introduced Al DiCaprio, who presented the proposal on behalf of the NERC drafting team.

   This proposed standard requires that schedules used in the area control error (ACE) equation be verified to preserve bulk electric system reliability. Specifically, the standard requires the following data: transaction magnitude, duration, ramp start time, and ramp end time. NERC reliability authorities must use this data to analyze transmission system impacts, balancing authorities must analyze the impacts upon the load and resource balance, transmission service providers must use the data to determine if transmission capacity exists for the transaction, and purchasing/selling entities must use the information to arrange and verify the transaction. Reliability authorities would be responsible for performing a final crosscheck.

   Mr. DiCaprio stated that the drafting team developed this proposal using the input of industry commenters, consistent with NERC's standards development process.

   Motion: (Charles Yeung, Steve Corneli second): Assign the Coordinate Interchange SAR to NERC for standards development. Further, the JIC recommends that NAESB develop a standards request for consideration of complementary business standards to the Coordinate Interchange SAR.

   Discussion:

   Concern was expressed regarding the market impacts of this proposed standard. Some believed that this standard might infringe upon commercial protocols, delay transaction approval, and require a standard market. It is also silent on the format and timing of the data submittals. Mr. DiCaprio explained that industry consensus exists to support the data required in the proposed standard as absolutely necessary for reliability. The standard does not require a single market, nor does it advocate a market type. It does require that transactions across certain boundaries be identified and verified. The data format and timing is at the discretion of the market participant,

in concert with the balancing authority, reliability authority, transmission service provider and purchasing/selling entity. If the PSE wishes to implement a schedule immediately and the RA, BA, and TSP can all perform the analysis they need to in time, than the standard would allow the transaction to be implemented.

Concern about the elimination of current NERC transaction information procedures contained in the operating policies was expressed. Specifically, varying requirements may lead to delays in implementing some transactions. Mr. DiCaprio stated that industry consensus obtained during the development of this standard proposal was that the current operating policy requirements are not desirable. The standard will not require common submission requirements in terms of timing and format of transactions. This is a market issue, which NAESB may wish to consider.

Vote:

IRC — Unanimous approval of Mr. Yeung's motion
NAESB — 6-1 approval of Mr. Yeung's motion (Syd Berwager opposed)
NERC — Unanimous approval of Mr. Yeung's motion

Motion carries

Co-Chairs Bittle and Desselle thanked Al DiCaprio for presenting the two proposals. Mr. Desselle added that Mr. DiCaprio and the industry commenters have identified business practices that NAESB should consider developing.

10. The discussion of the two proposals for NERC standards initiated a discussion of the development of business practices to complement NERC reliability standards. The JIC agreed that there are pieces of NERC's operating policies dealing with business practices that should be reviewed and improved by NAESB before the operating policies are retired.

    Motion: (Charles Yeung, John Anderson second): For the Coordinate Operations SAR assigned to NERC, the JIC recommends that NAESB develop a standards request for consideration of complementary business standards to the Coordinate Operations SAR.

    Discussion:

    Several JIC members questioned the value of this motion. A case could be made for similar amendments for every standard the JIC reviews. Others stated that NAESB already has subcommittees devoted to reviewing existing NERC operating policies.

    Other JIC members felt that the MOU opens the door for the JIC to take such actions via the coordination of annual plans. For this reason, the motion is appropriate and will help garner support within NAESB to devote effort on this issue.

    Vote:

    IRC — Unanimous approval of Mr. Yeung's motion
    NAESB — Unanimous approval of Mr. Yeung's motion
    NERC — 4–2 approval of Mr. Yeung's motion (Johnson and Schwerdt opposed)

    Motion carries

11. The next JIC meeting will be held as a conference call during the summer (exact timing dependent upon the status of NERC's certification SARs). The call will not be held before 10:30 EDT, in deference to west coast JIC members.

    The next face-to-face JIC meeting will be held on September 19, from 8–noon, in Austin, Texas. Mr. Jones will see if the ERCOT ISO can host the meeting.