



North American Energy Standards Board

1301 Fannin, Suite 2350, Houston, Texas 77002

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NORTH AMERICAN ENERGY STANDARDS BOARD WHOLESALE ELECTRIC QUADRANT LEADERSHIP MEETING

Hosted by AEP – Dallas, Texas

Tuesday, February 3, 2004 – 1:00 p.m. to 5:00 p.m. Central

Wednesday, February 4, 2004 – 8:00 a.m. to 2:00 p.m. Central

DRAFT MINUTES

1. Welcome

Mr. Lou Oberski called the meeting to order and welcomed the attendees. Mr. James Cargas gave the antitrust advice.

The draft agenda was amended by consent to include three items proposed by Mr. Michael Desselle under Other Business: (i) a discussion of adding a sixth segment, (ii) a discussion of transitioning NERC business practices standards to NAESB, and (iii) NAESB representation on NERC's Compliance Template Task Force. The draft agenda was further amended by consent to include two items proposed by Mr. Oberski under Other Business: (i) Gas Electric Coordination Task Force participation, and (ii) chairmanship of Business Practices Subcommittee in the absence of Mr. Bob Goss.

2. Expectations for the Joint Interface Committee

A. Other Requests to be Considered at the JIC Meeting

Mr. Oberski said he had enough information on R03035, R04005, R04006 and R04007 to make a presentation at the JIC meeting.

B. Seams Catalog Decisions to be Made by the JIC

Mr. Desselle opened the discussion by articulating the goal of this meeting as preparing the NAESB Joint Interface Committee (JIC) members for their upcoming meeting in New Orleans on February 18 and 19, 2004. In New Orleans, the JIC will review the Seams Catalog produced by the Wholesale Electric Quadrant (WEQ) Seams Subcommittee. The JIC will then decided which organization, if any, should be assigned the task of developing standards to resolve the seams issue.

Mr. John Lucas noted that items already being worked on were identified during the process. Therefore, there is no need to prioritize all 134 items. Ms. Lou Ann Westerfield described the catalog as a "roadmap" and concluded that it was not mandatory that all possible standards be developed. Rather, she saw the process still dependant upon an individual company or FERC to request a standard. Mr. Oberski predicted the Seams Subcommittee would see future activity generating or scoping out the requests for items assigned to NAESB under the direction of the EC.

Mr. Joe Rossignoli described the resulting JIC assignments as a prioritization document that will aid future annual plan development. Mr. Desselle concurred and noted that the annual plan already contains a broad item covering development of standards resulting from the Seams Catalog efforts. However, the EC will still play a role in prioritizing such efforts. If NAESB considers a specific issue to be assigned to them with a high priority, then it should be expected that we will devote the necessary resources to that item, Mr. Syd Berwager cautioned. The group discussed the pros and cons of developing issues nationally verses regionally. On the one hand the RTOs have greater resources at their disposal. On the other hand, they do



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not have an ANSI approved process, are not addressing the impact their rules have when a party crosses into another market, and one ISO can make a policy decision that everyone gets stuck with. Mr. Desselle proposed that the RTOs and ISOs submit their final rules to NAESB to benefit from the ANSI approved process, and thereby, transform a regional rule into a national standard. Mr. Cobb closed the discussion by proposing that the group develop the following for each seams item: identification of a responsible organization; where that organization is NAESB, a brief statement supporting the recommendation; and an idea of which issues are higher priority for NAESB.

On the second day, this issue was taken up again when Mr. Desselle proposed that the JIC first vote on all items where there is agreement, and second reserve all items that require discussion for a later date allowing some time to talk through the more difficult issues. He also noted that the Memorandum of Understanding (MOU) between NERC, NAESB and the ISO/RTO Council (IRC) contains provisions for resolving disagreements. As a practical matter, Mr. Desselle noted that NAESB would return to JIC with an actual request for a standard that came out of the Seams Subcommittee's efforts and this Seams Catalog. The group was unclear whether the other organizations were obligated to do the same. Mr. Lucas suggested focusing on 2 or 3 top items that NAESB can complete by summer 2005. Mr. Barry Green suggested using the JIC as a sounding board to determine which are the 4 or 5 more important issues to the industry.

3. Review of Seams Catalog

A. Presentation by Mr. Cobb, Seams Subcommittee Co-Chair

Mr. Steven Cobb, Co-Chair of the Seams Subcommittee presented a Power Point presentation that reviewed the activities to date that led to the development of the catalog, reviewed the catalog structure, and explained each of the eight categories used in the catalog.

By sorting the Catalog by "Category," "1st Subcategory," and "2nd Subcategory," similar issues are grouped together. Some redundancy remains in the Catalog, because it was decided to maintain the integrity of the original submission rather than combine similar issues through re-drafting. The eight categories, as first proposed by the IRC representative, are:

1. Congestion Management,
2. Market Design,
3. Market Monitoring and Compliance,
4. Market Standards,
5. Planning,
6. System Reliability,
7. Transaction Scheduling, and
8. Transmission Service.

Mr. Cobb explained that several approaches to developing recommended assignments were taken. The final approach involved first developing a Concepts Document of principles to guide in the allocation of issues. Second, each issue was determined to be either national or regional in scope. And third, all national issues were allocated between NERC or NAESB, and all regional issues were allocated to the regional markets impacted by the seam.

During review of the Concepts Document, the group suggested several edits. Item 1, stating that "FERC will not be designated as a Responsible Organization," was clarified to acknowledge FERC's role as potentially involved in every seams issue, especially those requiring a tariff issue. Under Item 4, the group substituted "Regional" for "Local" where it was used to describe



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a seam issue. After much discussion, Item 5 was amended to read: "The Resp. Org currently considering a Regional Issue Type will initially be the identified Regions or an Organization that represents those regions." And Item 6 was modified grammatically by deleting the redundant phrase, "...to resolve the issue Nationally or Regionally." A revised Concepts Document is attached to these minutes.

Ms. Rae McQuade informed the group that FERC expects a status report that includes the JIC's assignment of issues following the New Orleans meeting. This is only a status report for the Commission and staff, and not part of a formal rule-making docket. Ms. Westerfield pointed out that NAESB is capable of producing regional standards. This idea was discussed at length during the formation of the WEQ. The group received a report on NERC's seams efforts. Mr. Scott Brown, who is NAESB's liaison on NERC's Market Committee, has been keeping NERC's JIC members informed of the Seams Subcommittee's efforts and seeking NERC's input.

Looking ahead, Mr. Cobb envisioned that the redundant issues would be collapsed or bundled into fewer standards development efforts. These specific proposals will then return to the JIC which is designed to eliminate confusion between the member organizations and prevent redundant standards development efforts. Mr. Desselle concurred stating that the 134 issues will only result in "big picture" annual plan items. The specific detailed requests for standards have not yet been presented to the JIC.

B. Item-by-Item Discussion of Seams Issues

Mr. Cobb began the item-by-item discussion of the 134 seams issues with those under the Congestion Management category. All references were made to the Original Number of a particular seams issue. The results of this discussion, and the Support drafted for each issue can be found in the attached Seams Catalog dated February 4, 2004. It was decided that in every instance, the term "National" was intended to mean North American since the resulting standard could have applications in both Canada and Mexico, as well as the United States.

Seams issues receiving significant discussion:

Issue #35 – Mr. Lucas observed that RTOs are not everywhere, and not all RTOs have markets.

Issue #129 – Although this was kept a Regional issue, Mr. Dison noted that the input of data impacts flow gates outside the particular region. This North American impact should be considered. Mr. Green offered that Ontario is impacted by PJM's flow gates.

Issues #43 and 44 – Mr. Green said that a recent SAR identified TTC in a standard, but not ATC. Mr. Berwager felt that the commercial use of available transmission, i.e., ATC, was a business practice. He gave an example in the West where a difference in capacity resulted from contract flow paths versus physical flow paths. Mr. Dison explained that everyone calculates ATC the same way, however, they do not calculate TRM and CBM the same way, and this skews the ATC calculation. The management of ATC falls under the purview of NAESB, Ms. Westerfield observed. Mr. Yeung mentioned that the recalculation of ATC does not solve the seams problem. Ms. Westerfield explained that this issue arose from FERC Order 888. It was concluded that these particular seams issues would best be handled by NERC, with the understanding that associated commercial impacts should be referred to NAESB.

Issue #16 – Mr. Dison noted that the NAESB Inadvertent Interchange Payback Task Force (IIPTF) found this issue not so inadvertent. There is a need for a universal method for determining whether a company qualifies for the credit before IIPTF can determine the level of compensation. Mr. Dison continued, the policy is set in the FERC interconnection agreement.



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Mr. Green predicted that the NERC post-black out report will make some recommendations in this area.

Issues #13, 15 and 29 – Regardless of which organization the JIC assigns primary responsibility, NERC and NAESB will need to work very closely on these seams issues.

Issue #3 – Mr. Desselle noted that this issue is directly from the 2003 NAESB Annual Plan. Ms. McQuade added that the Glossary Subcommittee would draft a definition, but the Contracts Subcommittee would need to address the treatment aspects of this seams issue.

Issues #42, 52 and 140 – Ms. McQuade said NAESB cannot act on these contract issues until FERC provides further policy guidance. The Market Standard Communications Protocol orders, Nos. 605 and 638, do not contain enough clarity for standards development.

Issue #136 – The entries for Region 1 and Region 2 should be IMO and MISO. These will be corrected in future Seams Catalogs.

Issues #46 and 47 – Mr. Lucas pointed out that the request recently submitted by Ms. Barbara Alexander to establish an OASIS template does not involve the interconnection studies contained in this seams issue. Mr. Lucas also questioned why #46 was Regional and #57 was National.

Issue #114 – The Catalog notes activity in the Northeast on this issue. Additionally, Mr. Berwager said that SSG-WI is also making progress on this issue in the West.

Issue #50 – Mr. Desselle saw a national standard developed to address this issue as important to marketers operating in multiple markets.

Issues #12 and 41 – NAESB's Electronic Scheduling Subcommittee (ESS) is already addressing these issues in coordination with NERC.

Issues #104 and 106 – NAESB's Information Technology Subcommittee (ITS) is already addressing these issues in the 2004 annual plan.

Issue #33 – A typo was discovered: "inter-hour" should read "intra-hour."

The amended Seams Catalog, with the "Resp. Org." column, was adopted by consensus. The "NAESB Support" column was not made part of the official Seams Catalog since its purpose was limited to the upcoming JIC meeting.

4. Other Business

A. Discussion on Addition of a Sixth Segment

Mr. Desselle opened this discussion by reviewing the history of this issue. When the WEQ for formed, it was decided to not form a sixth segment for the RTOs and ISOs. The argument was that they were represented in NAESB through their members. This was a close vote at the time. A proposal to create a subsegment in generation or transmission was rejected by the RTOs and ISOs as inadequate. They also rejected the creation of a technical advisory role.

The RTOs and ISOs can always join any segment they feel appropriate. However, as currently defined, it may be difficult for them to qualify for any particular subsegment. It was reported that RTO and ISO members were not voting at the subcommittee level since doing so would require that they declare a subsegment. Mr. Desselle felt the issue may need to be revisited now that the MOU is in place, and solicited the groups' views.



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The advantages of a sixth segment were viewed as encouraging them to bring their standards to NAESB's ANSI approved process for adoption, and increased participation by their staff members in the drafting of standards.

The disadvantages were viewed as giving them veto power over our standards without reciprocal powers at the IRC, there are only 6 entities up and running so far and they may not have the ability to fill each subsegment or segment seat, and there is no guarantee they would bring their standards to our process.

Mr. Lucas proposed a split approach where a sixth segment was created, but voting procedures contained in the NAESB Certificate was modified to require four or more segments (i.e., not all) to pass a proposed standard. Therefore, everyone would remain on an equal footing, but concerns over a RTO/ISO veto could be addressed. This proposal was well received, but amending the Certificate would require significant resources and time.

Mr. Desselle agreed to seek clarification from the RTO and ISO CEOs on their desire for a more formal role in the NAESB process, and whether they were willing to make concessions under the MOU to get them.

B. Discussion on "Filling the Void" During Transition of NERC Business Practice Standards to NAESB

NAESB's Standards Review Subcommittee (SRS) and NERC's Markets Committee (MC) are working well together. Additionally, the OASIS baseline, 1A and 2 efforts are smoothly transitioning OASIS business practices under the NAESB umbrella. Mr. Desselle raised the issue of whether NAESB wants to be more pro-active by expanding these current successes to other NERC business practice standards like those contained in NERC Policies 3 and 9.

The current annual plan language was determined to be too vague since it would require Board and JIC approval to transition additional standards over. A more detailed transition plan and schedule should be developed in a meeting to be held in New Orleans the day after the JIC meeting. The practice of adopting the current interim business practices from the NERC policies as a baseline, "as is" is being done for OASIS, was viewed as a model for the transition of other business practice standards. The decision to amend the NERC language could be made at a later date as resources, time and need permit. Mr. Desselle agreed to discuss this at the next Board meeting, and Ms. McQuade agreed to discuss this with NERC's leadership. Also, we will work with NERC staffers to develop a road map for the expedited transition of the NERC policies into NAESB business practices.

C. Candidates for Representing NAESB on NERC's Compliance Template Task Force

Mr. Desselle shared a letter received from NERC requesting a NAESB representative for NERC's Compliance Template Task Force (CTTF). There are already several NAESB members sitting on this task force, but a person tasked with liaison responsibilities would be beneficial as well. This would require a technical person who can volunteer significant time during the next few months. Mr. Desselle offered Mr. Joe Hartsoe or Mr. Scott Moore from AEP as possibilities. He inquired if there were any other suggestions from those present. None were offered.

It was suggested that the NAESB seat could rotate among member companies depending on the time and location of various meetings. In the end, the consensus was to ask Mr. Hartsoe to be the NAESB liaison if he could dedicate enough time to attend every meeting. In the alternative, the NAESB seat would rotate.



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D. Participation on Gas and Electric Coordination Task Force

Mr. Oberski reported on the first meeting of the Gas and Electric Coordination Task Force (GECTF) in Washington, DC. Over 80 people participated; however, the representation from WEQ was thin. Ms. McQuade noted that several FERC offices attended, as did representatives of the Department of Energy and trade press. Mr. Oberski encouraged more participation by WEQ members at the next meeting in San Diego on Feb. 10-11.

E. Chairmanship of Business Practices Subcommittee

Mr. Oberski informed everyone that Mr. Bob Goss, Chair of the Business Practices Subcommittee (BPS), is currently in Baghdad, Iraq and unable to fulfill his responsibilities as chair. The only significant work currently underway is before the Inadvertent Interchange Payback Task Force (IIPTF). A new interim chair will be needed. Subcommittee chairs must also be members of the EC, Ms. McQuade reminded.

It was concluded that several new members of the EC may enjoy an opportunity to chair BPS. They would be approached first.

5. Next Meetings

The JIC meeting will be on Feb. 18-19, in New Orleans, Louisiana.

The next EC meeting will be on Feb. 24, in Houston, Texas.

6. Adjourn: February 4, 2004, 1:25 pm



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Attendance:

Name	Organization	Quad.	Segment	2/3/04	2/4/04
Berwager, Sydney	Bonneville Power Admin.	WEQ	LSE/Dist.	In Person	In Person
Cargas, James	NAESB	N/A		In Person	In Person
Cobb, Steven	Salt River Project	WEQ	Trans.	In Person	In Person
Crowley, Jack	Exelon Corporation	WEQ	Marketer	In Person	In Person
Davis, Edward	Entergy Services, Inc.	WEQ	Trans.	In Person	In Person
Desselle, Michael	American Electric Power	WEQ	Trans.	In Person	In Person
Dison, Joel	Southern Company	WEQ	Marketer	In Person	In Person
Green, Barry	Ontario Power Generation	WEQ	Generator	In Person	In Person
Lawson, Barry	Nat'l Rural Elec. Coop. Assoc.	WEQ	N/A	On Phone	
Lucas, John	Southern Company	WEQ	Trans.	In Person	In Person
McQuade, Rae	NAESB	N/A		In Person	In Person
Oberski, Louis	Dominion	WEQ	Generator	In Person	In Person
Paravalos, Mary Ellen	US National Grid	WEQ	Trans.	In Person	In Person
Rana, Raj	American Electric Power	WEQ	Trans.	In Person	In Person
Reed, Tony	Southern Company	WEQ	Gen./IOU	In Person	In Person
Rossignoli, Joseph	US National Grid	WEQ	Trans.	In Person	In Person
Waggoner, Carroll	Sunflower Elec. Power Corp.	WEQ	Trans.	In Person	In Person
Westerfield, Lou Ann	Idaho PUC	WEQ	End-User	On Phone	
Yeung, Charles	Reliant Energy	WEQ	Marketer	In Person	In Person



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NAESB WEQ Seams Catalog Responsible Organization Selection Concepts

February 4, 2004

The NAESB WEQ Seams Subcommittee approved the following list of concepts for adoption during a conference call held on January 16, 2004. The WEQ Executive Committee amended them at their meeting on February 3-4, 2004.

These concepts were used to determine what organization is responsible for the development of an industry standard or regional solution to a specific market seams issue. The attached catalog utilizes the identified concepts to determine the information in the "Issue Type" and "Resp Org" columns.

The responsible organization selection concepts are as follows:

1. FERC will not be designated as a 'Responsible Organization' for purposes of the Seams Catalog.
 - It is understood that FERC is the default regulatory policy making organization.
 - FERC acts as a backstop for evaluating and/or requiring industry developed standards.
2. If the 'Region 1' and 'Region 2' fields for a specific issue state "All," that issue is deemed to be a 'National' issue.
3. NERC and NAESB will develop Standards for resolving all National Issues.
4. If the 'Region 1' and 'Region 2' fields for a specific issue list specific markets (e.g. PJM & MISO) that issue is deemed to be a 'Regional' issue.
5. The 'Resp Org' currently considering a Regional 'Issue Type' will initially be the identified 'Regions' or an organization that represents those 'Regions.'
 - Regional seams solutions may only apply to the impacted regions.
 - Regional reliability issues are governed by NERC and/or a NERC Regional Council.
6. Entities involved in a Regional Issue may elect to submit a Standard Request to NAESB to develop a Standard.
 - NAESB can, and will, develop Standards with regional deference.