



North American Energy Standards Board

1100 Louisiana, Suite 3625, Houston, Texas 77002

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via email and posting

TO: NAESB WEQ Market Operations Subcommittee Participants and Interested Parties
FROM: Rae McQuade, Executive Director
RE: Wholesale Electric Quadrant Market Operations Subcommittee Meeting Minutes - March 6, 2003
DATE: March 19, 2003

**NORTH AMERICAN ENERGY STANDARDS BOARD
WEQ MARKET OPERATIONS SUBCOMMITTEE MEETING
March 6, 2003, 10:00 a.m. to 3:00 p.m. MST**

1. Welcome

Mr. Oberski welcomed participants and thanked Salt River Project for hosting the meeting. Mr. Oncken gave the antitrust advice. Participants introduced themselves.

Mr. Oberski informed participants that the WEQ Subcommittee chairs recently held a conference call to discuss the reorganization of WEQ subcommittees in light of perceived annual plan assignment cross-over and developments at the February WEQ Executive Committee meeting. Mr. Oberski reported the group tabled discussion in anticipation of a pending FERC Whitepaper which will likely contain assignments for the WEQ.

2. Adoption of Agenda

Ms. Lauderdale moved, seconded by Mr. Reed, to adopt the agenda as written. Absent objection, the agenda was adopted unanimously.

3. Approval of Draft MOS Minutes, 1-24-03

Mr. Fidrych moved, seconded by Mr. Goss, to approve the January 1, 2003 WEQ Market Operations Subcommittee (MOS) draft minutes without modification. Absent objection, the minutes were approved unanimously.

4. Report from Active Task Forces - EETF, IPTF

Electric Trading Task Force

Mr. Johnson reported on the progress of the Electric Trading Task Force (EETF) since the last MOS meeting. Mr. Johnson stated the EETF has met three times, with an average participation of 14 for each meeting. Mr. Johnson noted the EETF has been tasked with 2003 WEQ Annual Plan Items 4a, *Establish a standardized electric trading day*, and 4c, *Establish standard business practices relating to: i) Definition and treatment of firm/nonfirm power; ii) Definition and treatment of firm/nonfirm transmission; iii) Provision of reserves for transactions across multiple control areas.*

Mr. Johnson noted resistance within the EETF to work on item 4c, but stated the WEQ Executive Committee, during its February meeting, directed the EETF to move forward, gather existing information, and do research prior to making the decision not to standardize. Accordingly, the bulk of the EETF efforts have been focused on developing item 4a.



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For item 4a, Mr. Johnson stated the ETTF has cataloged the activities of the active ISO and RTO markets, deferring those items regarding the definitions. Mr. Johnson said the ETTF has approached the project as an operating day, rather than strictly a trading day. Mr. Johnson noted this approach could possibly lead to a synergy between the timelines of the gas and electric markets, a possibility which has recently been discussed at an Annual Plan Subcommittee (APS) meeting. In fact, the APS recommended to the quadrant Executive Committees that all quadrants consider joint work on the item.

Mr. Johnson reviewed the spreadsheet showing completed research which has been prepared during the ETTF meetings. Mr. Johnson stated the spreadsheet focuses more on LMP, but the task force has discussed the addition of information relating to bilateral markets. Mr. Johnson stated development of the spreadsheet would continue in future ETTF meetings. Discussion revealed the spreadsheet had been compiled by market participants, not RTO staff. Mr. Oberski stated that establishing timelines could require a significant change in the operations of RTOs, since implementation of the standard will be at those locations. Additionally, those changes could require modifications to existing software used by stakeholders of the RTOs. As such, Mr. Oberski welcomed any participation from RTOs or ISOs in the ETTF process. Ms. Paravalos stated that the MOS should continue to work toward drafting standards, while reaching out to RTOs and ISOs for input.

Participants discussed the content of the ETTF spreadsheet. It was noted there has not yet been discussion on seams issues and the impacts that operations timing might have on them. Mr. Johnson said exploration of that issue would certainly be a next step. Regarding preliminary results of the research, Mr. Johnson said the divergence in the timing appears to be according to an East/West dichotomy.

At the request of meeting participants, Ms. McQuade provided a brief history of the process the Wholesale Gas Quadrant (WGQ) went through in developing the 'gas day' standard. She stated the 'gas day' was one of the most highly contested standards and took nine months to develop. The time was used not only to determine the gas day, but also to determine the timelines that accompanied it - for nominating and scheduling. She further noted that extensive debate occurred at the outset on the need for a 'gas day' standard. Ms. McQuade noted that the standardization did require software modifications, at expense to several companies.

Participants discussed the concept of paralleling the 'gas day' standard. Mr. Oberski stated perhaps a parallel day does make sense, particularly given the discussion of the APS regarding possible cross-quadrant development. Accordingly, Mr. Oberski suggested the ETTF use the 'gas day' as a baseline for WEQ standards development. As an alternative, Mr. Fidrych noted the electric industry has a history of approaching transmission as peak/off peak. Likewise, Mr. Thompson noted the methodology used by NYISO in developing its timeline was to determine the length of time required to start a unit cold, and then work from that timeframe. Given that, it was suggested equipment requirements might drive timing design.

Mr. Oberski referred to the language of the Annual Plan, and that it directs the MOS to 'establish' a standardized day. Mr. Oberski suggested this language did not leave room for debate as to whether the MOS wants to establish a standard day, only whether the subcommittee decides a standardized day is not needed. Mr. Oberski stated this might be the appropriate time for development, since the WEQ is not under a development deadline and few markets currently exist. He said this could be an opportunity for the



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WEQ to pass standards in a proactive manner prior to extensive market conflicts. Ms. Paravalos concurred with Mr. Oberski's statements, noting this might be an opportunity to avoid, rather than cure, seams issues.

Mr. Pam stated PJM developed its market, and timelines, for defined reasons, including certain restrictions. Mr. Pam said PJM is not opposed to examining a standard day, but there needs to be more participation from RTO and ISO staff. Mr. Pam asserted that if NAESB was looking to develop a standard operating day, instead of the trading day as stated in the 2003 WEQ Annual Plan, the market should be informed. Mr. Oberski invited market participants who feel NAESB is straying from the annual plan to voice those concerns at the task force meetings.

For clarity on the issue of trading day versus operating day, it was suggested the ETTF develop a definition of each term and compile a list of items or elements to be standardized. Further, it was noted that while a standards request might not be appropriate at this time, it should be a focus of each meeting. The though was discussion of a standards request could help focus the group in determining whether discussions would aid in completing the standards request form.

Inadvertent Interchange Payback Task Force

Mr. Goss reported on the progress of the Inadvertent Interchange Payback Task Force (IIPTF) since the last MOS meeting. Mr. Goss stated the IIPTF has met three times, with participation at each meeting being between 15 and 20 persons. Mr. Goss briefly reviewed the progress of each meeting. To date, Mr. Goss stated the IIPTF has 1) determined a standards request was appropriate; 2) spent some time sharing information on issues surrounding inadvertent interchange payback; and 3) developed and reviewed a NAESB Standards Request Form (SRF).

Mr. Goss reviewed the SRF prepared by the IIPTF. Mr. Goss noted the revision during the last conference call to expand the possible impact on NERC beyond NERC Policy 1.

Mr. Goss moved, seconded by Mr. Fydrich, to request the Market Operations Subcommittee approve the IIPTF standards request form as written. Absent objection, the motion passed unanimously.

Mr. Goss stated the IIPTF planned meetings subsequent to the March JIC meeting in anticipation of future standards development needs. Scheduled meetings are noted below. In the interim, Mr. Goss suggested all task force members and other parties wishing to participate in the standards development process review the existing documentation on the issues surrounding inadvertent interchange to prepare for future discussions.

5. Review of Remaining Annual Plan Items Assigned to Market Operations Subcommittee (MOS)

It was noted the MOS previously decided each task force should work on 2003 WEQ Annual Plan Items 4f, *examine business practices and definitions currently in use to determine applicability on a North American basis*, and 4g, *catalogue, assess and prioritize existing "standards" that have significant business practice implications*. Participants discussed whether the MOS should begin work on the other 2003 WEQ Annual Plan assignments. Participants agreed to take no action at this time.

6. Calendar of Meetings

WEQ ETTF Conference Call; March 10, 2003; 9:00 a.m. to noon CST



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WEQ ETTF Conference Call; March 17, 2003; 9:00 a.m. to noon CST
WEQ IPTF Meeting; April 9, 2003; 9:00 a.m. to noon CST; Fort Lauderdale, FL
WEQ ETTF Meeting; April 9, 2003; 1:00 p.m. to 5:00 p.m. CST; Fort Lauderdale, FL
WEQ Contracts Subcommittee Meeting; May 6, 2003; Houston, TX
WEQ Market Operations Subcommittee Meeting; May 7, 2003; Houston, TX
WEQ Standards Review Subcommittee Meeting; May 8, 2003; Houston, TX

Subsequent WEQ Subcommittee meetings will be held every other month, alternating with the Executive Committee meetings.

7. Other Business

Participants briefly discussed NERC CIPAG and the Public Key Interchange (PKI) initiative. Mr. Nevius stated PKI work will not result in a standards proposal to be presented to the JIC in the near future. Mr. Nevius explained this was a project being implemented, not an industry standard. Mr. Nevius suggested NAESB follow the work being done on PKI and consult the NERC PKI steering committee regarding the need to standardize in the future.

8. Adjourn

Mr. Oberski adjourned the meeting at noon MST.

9. Meeting Attendees:

Name	Company	Notes
Lisa Barton	North East Utilities	Phone
Don Benjamin	NERC	Phone
Bob Burkard	NCMP1	Phone
Phil Cox	American Electric Power	In Person
Michael Desselle	American Electric Power	In Person
Duane Farmer	Public Service Co. of New Mexico	In Person
Mark Fidrych	WAPA	In Person
Doug Frazier	Chelan PUD	In Person
Bob Goss	SEPA	In Person
Dave Hatheway	Wisconsin Public Service	Phone
William Heinrich	New York Public Service Commission	Phone
Sue Holden-Baker	WAPA	In Person
Linda Horn	We Energies	Phone
Gary Jackson	TVA	Phone
Alan Johnson	Mirant	In Person
Kim Kiener	Salt River Project	In Person
Ed Kremzier	National Grid	In Person
Melissa Lauderdale	EEl	In Person
David Lemmons	Xcel Energy	Phone
Cecilia Liang-Nicol	Allegheny Energy Supply	Phone
Pat McGovern	Seminole Electric Cooperative	Phone
Rae McQuade	NAESB Executive Director	In Person/Admin
Sheri Monteith	American Electric Power	In Person
David Nick	DTE Energy	Phone



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Name	Company	Notes
Lou Oberski	Dominion	In Person/Chair
Todd Oncken	NAESB	In Person/Admin
Simon Pam	PJM	Phone
Mary Ellen Paravalos	National Grid	Phone/Chair
Tony Reed	Southern Company	In Person
Bob Schwermann	Sacramento Municipal Utility District	In Person
Dave Slick	Salt River Project	In Person
William Smith	Allegheny	Phone
Ed Tammy	Florida Power and Light Co.	Phone
Ed Thompson	Con Edison	Phone
Jim Trangsrud	Salt River Project	In Person
Roger Van Hoy	Modesto Irrigation District	In Person
Tina Walter	WAPA	In Person
Wendy Weathers	Salt River Project	In Person