



North American Energy Standards Board

1301 Fannin, Suite 2350, Houston, Texas 77002

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via email and posting

TO: NAESB WEQ Standards Review Subcommittee Participants and Interested Parties
FROM: Todd Oncken, Deputy Director
RE: Wholesale Electric Quadrant Standards Review Subcommittee Meeting Minutes - May 8, 2003
DATE: May 28, 2003

**NORTH AMERICAN ENERGY STANDARDS BOARD
WEQ STANDARDS REVIEW SUBCOMMITTEE MEETING
May 8, 2003, 10:00 a.m. to 3:00 p.m. Central**

1. Welcome

Mr. Yeung welcomed meeting participants. Mr. Oncken gave the antitrust advice. Participants introduced themselves. Mr. Yeung reviewed the SAR review template and its application to the Standards Review Subcommittee (SRS) process. He stated the review template was a vehicle for the review of the proposed SARs. Additionally, Mr. Yeung noted the SRS review process and the resulting SRS report could be useful for any entity with a voting authority over the standards at anytime.

2. Adoption of Agenda

Mr. Yeung reviewed the agenda for the meeting. Absent objection the agenda was adopted by consent.

3. Approval of Draft SRS minutes, 3-07-2003

Mr. Johnson moved, seconded by Ms. Robertson, to adopt the minutes of the March 7, 2003 SRS meeting as drafted. The motion passed unanimously.

4. NERC SAR: Coordinate Interchange Transactions SAR, v. 3

Mr. Yeung referred participants to the Initial Standard Review and Analysis Report created for the Coordinate Interchange Transactions (CIT) SAR. Mr. Gallagher provided an update on the status of the CIT SAR. He said the CIT SAR is scheduled for review by the Standard Authorization Council (SAC), and assuming approval, it will be submitted to the NERC/NAESB Joint Interface Committee (JIC). If the CIT SAR is assigned back to NERC, Mr. Gallagher said it would proceed through the NERC drafting process.

Mr. Yeung entertained comments on the CIT SAR Initial Standard Review and Analysis Report. Comments are noted in redline on the attachment. He stated that the report would be more complete if each of the bullets were explained. Mr. Gallagher noted the bullets reflected many of the comments raised during the NERC drafting process of the CIT SAR. To allow participants to prepare for the comments, Mr. Yeung proposed to solicit comments through an open request for comments subsequent to the meeting.

Mr. Yeung initiated discussion on the scope of and level of participation in the SRS, noting concern of possible duplication of efforts between participants of the SRS process and NERC process. He said ideally industry would have the opportunity for discussion of the commercial issues related to the SAR at the SRS meetings. Mr. Yeung noted that since NERC is the



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reliability standards body, the significant discussion on market issues should occur outside of the NERC process.

Mr. Johnson suggested timing issues could be involved, since the SARs currently being reviewed have moved through the NERC process and been commented on previously. However, he noted the work of the SRS was very important, since it was important NAESB look at the NERC standards with an eye for the business practice or commercial issues. Mr. Johnson suggested reformatting the SRS report to highlight the potential impacts, since under the current format that substance gets lost in the document. Mr. Yeung stated providing examples of business impacts of the standards might add value to the product.

Regarding the possible implications of the CIT SAR on ramp rates, Mr. Gallagher stated the intention was not to mandate ramp rates. Rather, he said the key would be disclosure of the ramp information. Mr. Yeung stated that differences in ramp rates could be implicated if an entity is moving energy between different authorities with different ramp rates. It was noted standardizing a ramp rate between authorities could be a complementary commercial standard for NAESB to develop.

During discussion the following points were noted: 1) a reliability standard based on data suggests the need for a comparable standard on data collection; and 2) the standards implementation timeline is significant. Mr. Gallagher stated the decision has not been made within NERC whether to implement the NERC standards as they are developed, or as a body of standards. For instances when a standard does not have a definitive implementation timeline and is based on another standard created by another body, Mr. Yeung suggested it would be appropriate to coordinate implementation of the standards between the two entities. Mr. Gallagher concurred and noted members of the JIC are developing a process to coordinate the JIC parties' annual plans.

Mr. Oberski stated the work of the Inadvertent Interchange Payback Task Force (IIPTF) is based on data provided by NERC on the inadvertent interchanges. He noted the group is split on the issues surrounding data, with some members being concerned about the integrity of the data available, and others contending the available data is sufficient. Mr. Oberski noted that the methodology created by the IIPTF would be fairly flexible to any potential data standard created by NERC. Additionally, it was noted implementation of any IIPTF methodology would occur as soon as practicable.

5. Coordinate Operations SAR, v. 2

Mr. Yeung referred participants to the Initial Standard Review and Analysis Report created for the Coordinate Operations SAR. Mr. Yeung entertained comments on the Coordinate Operations SAR Initial Standard Review and Analysis Report. Comments are noted in redline on the attachment.

Ms. Perlman stated the FERC Whitepaper has implications on all of the SARs, because the whitepaper basically recognized regional differences. However, she said the industry recognizes ISOs and RTOs are not going to be standard across the country. She noted the need to bridge the gaps between the ISOs, RTOs, and areas where ISOs and RTOs are not currently created. Ms. Robertson suggested the examples provided during the comment period might highlight the regional differences. Ms. Robertson suggested NAESB could identify those differences and seek standardization. Mr. Yeung stated that would be a systematic approach that could form a reasonable basis for the establishment of a NAESB standard.

Participants discussed the timing of NAESB participation in the NERC SAR process. Ms. Rehman noted it was difficult to evaluate a SAR, because the business implications of a



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potential NERC standard become clearer during the drafting process as details are developed. Mr. Yeung concurred with Ms. Rehman and noted early identification of the potential need for a complementary business standard would be advantageous. He reasoned NAESB's identification of potential business implications could be beneficial to the NERC standards drafting team. Mr. Johnson concurred that early identification was important. He noted the scope of the NERC process, and questioned whether a NERC standard could be significantly modified once it entered the standards drafting process.

6. Discussion of the following NERC SARs and Completion of Initial Template

Urgent Request Standard – Cybersecurity: Mr. Yeung referred participants to the Initial Standard Review and Analysis Report. Participants developed the report during the meeting. Please see attachment for complete report. Since the Cybersecurity SAR was an urgent action SAR, where both the SAR and standard are posted together, it was agreed to complete the report based on the actual standard.

Ms. Robertson noted the Cybersecurity SAR is focused strictly on the operation of the grid. She noted it ignores the market systems. Ms. Robertson suggested a company that serves both functions might want a similar policy for both systems. She suggested NAESB develop that complementary standard, so the systems are not operated differently. Mr. Gallagher noted that point was raised during the JIC consideration of the SAR. As an example, Mr. Gallagher stated a marketer is not required to comply with the Cybersecurity standard, and suggested NAESB might want to identify critical systems and functions of marketing entities and propose security standards for those assets.

Mr. Gallagher provided an explanation of the details of the Cybersecurity standard. For example, he explained how far out of the control room the SAR reaches is largely dependent on the design of the individual system. He stated the Standard is keyed to functions and critical cyber assets.

Mr. Gallagher and Mr. Lawson reflected on implementation of the Cybersecurity standard. It was noted entities will be required to submit a statement of compliance, with spot-check audits. Concern was expressed about how the audits would be performed, and the confidentiality of documents reviewed. Mr. Lawson stated documents would be reviewed on site and noted all parties are cognizant of confidentiality. Mr. Lawson noted this issue was discussed at length during the drafting process. Mr. Gallagher confirmed that although the standard contains a sanctions table, there are no monetary compliance penalties attached to the standard.

It was noted a permanent standard on the same topic will be developed through the NERC SAR process to become effective at the expiration of the Urgent Action SAR, so all interested parties will have the opportunity to participate in the development of the permanent standard.

Determine Facility Ratings, Operational Limits, and Transfer Capability: Mr. Gallagher noted this SAR was approved by the SAC to move to standards development, was assigned to NERC by the JIC, and the drafting team has set a target date of June 15 for the first draft. Participants agreed to defer discussion until the draft standard was available.

During brief discussion, it was noted this standard does not include Available Transfer Capability (ATC). Ms. Robertson suggested a complementary standard might be appropriate since each RTO would be developing the calculation, and each calculation could provide a different result. Ms. Rehman noted the issue might be best addressed through the MOS Seams Task Force. Mr. Yeung concurred, but noted the SRS should review the issue since it would



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arise from a NERC SAR. Further, he stated it standard development was deemed appropriate, that development would most likely be done by another NAESB subcommittee.

7. Identification of other SARs for discussion

Mr. Yeung stated previous SRS agendas have originated from a review of the SARs posted to the NERC web site. Mr. Gallagher noted the following forthcoming NERC issues: 1) Certification SARs – anticipated posting in mid-June; 2) draft SAR on balancing resources in demand – anticipated posting of first draft in June; 3) SAR on operating within transmission limits, v. 2 – anticipated posting in June; and, 4) Urgent Action SAR on Cybersecurity – voting begins on May 12 and will last for 10 days.

Ms. Rehman suggested the SRS, at its next meeting, provide input to the group developing the method for annual plan coordination among the JIC participants. She also suggested the SRS follow the progress of the coordination group, as that might impact the work of the SRS. Ms. Rehman expressed concern that the focus of the SRS was aimed at the SARs, but current aspects of the NERC Policies might go unaddressed in the transition of NERC methodology from NERC Policies to SARs. Mr. Yeung noted that existing NERC policies requiring the attention of NAESB should be noted through the NAESB standards request process. Further, he said this was chiefly an issue of NERC's transition. Ms. Rehman asserted the transition should be coordinated between NERC and NAESB, since existing NERC policies have commercial implications. Mr. Yeung suggested the Executive Committee was the proper venue to raise this issue.

8. Discussion on coordination and transfer of information with NERC to avoid requiring members to fully participate in both processes

Mr. Yeung stated concern about participation in the SRS. Please see above discussion. It was suggested the SRS maintain its current procedures with the anticipation industry would recognize the SRS work product as a good tool to evaluate SARs for commercial impacts.

9. Calendar of Meetings

The next SRS meeting will be held July 10, 2003 in Colorado Springs, CO. Mr. Yeung noted a report on SRS activities will be given at the June 3 Wholesale Electric Quadrant Executive Committee meeting.

10. Other Business

No other business was discussed.

11. Adjourn

The SRS meeting adjourned at 2:00 p.m. Central.



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12. Meeting Attendees:

Name	Company	Notes
Ken Bachor	Seminole Electric	Phone
Don Chandler	CenterPoint Energy	In Person
Tim Gallagher	NERC	Phone
Terri Grabiak	Alleghany Power	Phone
Jim Hicks	Pacific Corp	Phone
Linda Horn	WE Energy	Phone
Alan Johnson	Mirant	In Person
Barb Kedrowski	WE Energy	Phone
Barry Lawson	NRECA	Phone
Cecelia Liang-Nichol	Alleghany Electric Supply	Phone
Rae McQuade	NAESB Executive Director	Phone/Admin
Lou Oberski	Dominion	In Person
Todd Oncken	NAESB Deputy Director	In Person/Admin
Marjorie Perlman	Energy East	In Person
David Pileggi	National Grid	Phone
Raj Rana	American Electric Power	In Person/Co-Chair
Barbara Rehman	Bonneville Power	Phone
Barbara Robertson	Ontario Power Generation	In Person
Glen Spurloch	Seminole Electric	Phone
Charles Yeung	Reliant Energy	In Person/Co-Chair