



North American Energy Standards Board

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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 Conference Call Final Minutes – September 29, 2003

DATE: October 2, 2003

**NORTH AMERICAN ENERGY STANDARDS BOARD
WEQ STANDARDS REVIEW SUBCOMMITTEE MEETING
September 29, 2003, 1:00 p.m. to 3:00 p.m. Central**

1. Welcome

Mr. Yeung called the meeting to order. Mr. Oncken gave the antitrust advice. Participants introduced themselves. Mr. Yeung reviewed the agenda and the agenda was adopted by consent.

2. Develop Initial Review Documents for NERC's Balance Resources and Demand Standard

Mr. Yeung introduced discussion of the draft initial review document for NERC's Balance Resources and Demand Standard prepared by Mr. Johnson. Please see the attachment to these minutes for the changes made to the document during this meeting. Mr. Yeung noted the first version of the NERC standard has been posted for comment and specified some concrete requirements. Mr. Yeung stated the task of the Standards Review Subcommittee (SRS) was to determine which of the requirements, if any, might require a complementary business standard. Mr. Johnson explained the NERC standard is very technical but is essentially about frequency control. It was noted the standard addresses requirements for Reliability Authorities (RAs) and Balance Authorities (BAs) and does not specifically address generators and loads.

Mr. Johnson stated the NERC standard could potentially impact the work of the Inadvertent Interchange Payback Task Force (IIPTF) with respect to the measurement of frequency. Mr. Terelmes, chair of the IIPTF, stated NAESB and NERC representatives held a meeting with regard to the scope of the IIPTF. He said it was determined that at that meeting NERC would provide data on inadvertent interchange and frequency deviation, and NAESB would value that data. Mr. Terelmes stated the impact of this standard on IIPTF efforts was undetermined, but noted that the task force was working towards valuing whatever data NERC provides.

Mr. Johnson stated the NERC standard follows the NERC model and specifies that something must occur (the what) but does not specify the means to make that happen (the how). He identified the following business practices with the potential for standardization: report format and communication protocol.

Participants discussed the NERC standard. Participants were unclear on whether the proposed standard would contain valuations or triggers that signal when cost allocation for inadvertent interchanges was appropriate. It was noted that NERC CPS-1 and CPS-2 currently provide those guidelines. It was suggested that if valuations or triggers were outside the scope of the NERC standard, a complementary business standard might be appropriate. Mr.



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Johnson noted that this standard would replace CPS-1 and CPS-2, as the new standard (CPM-1) incorporates CPS-1, eliminates CPS-2, and proposes a new measure based on the 60-minute interval. It was suggested it might be appropriate to define an additional type of inadvertent interchange based on the new control measures.

Participants discussed the work of the IIPTF. Mr. Yeung stated the IIPTF is working to develop a monetary valuation for how the BAs resolve their inadvertent interchange accounts. Mr. Henry stated that approximately 60% of the WECC works under a contract containing a financial penalty for deviation from CPS-1 and CPS-2, and also for leaning on a counterparty to a degree in excess of 3% of schedule. Further, Mr. Henry noted that inadvertent interchanges do not necessarily result from conscious efforts of the control areas. Mr. Terelmes stated the IIPTF realizes there are many methods used to settle inadvertent interchanges, but is working toward a process that would value the inadvertent interchange, whether voluntary or involuntary. Mr. Terelmes invited any interested parties to participate in the next IIPTF meeting (October 6, 2003 in Tempe, AZ). It was suggested that the IIPTF should consider whether the work being done by the IIPTF would be compatible with the new NERC standards, since presumably they will be mandatory and contain compliance penalties. Mr. Creech stated concern that the market incentives being developed by the IIPTF, applied when mandatory NERC penalties exist and apply, would result in double penalties for a single action even when the action was unintentional. Mr. Yeung agreed the current penalty structures should be evaluated when developing a financial payback scenario.

3. Development Initial Review Documents for NERC's Determine Facility Ratings and Operating Limits Standard

Mr. Yeung introduced discussion of the draft initial review document for NERC's Determine Facility Ratings and Operating Limits Standard prepared by Mr. Green. Please see the attachment to these minutes for the changes made to the document during this meeting. In Mr. Green's absence, Mr. Yeung presented the draft document. Mr. Yeung noted the first version of the NERC standard has been posted for comment. Participants were unclear on several aspects of the document. It was noted potential complementary business standards would likely result from NERC's standards model of defining the "what" but not the "how." Mr. Terelmes suggested it was not mandatory that NAESB develop the business practice standards that would address "how."

The SRS identified the following concerns regarding development of a business standard to complement the NERC standard:

- What level of standardization is possible given the diverse regional and market methodologies and requirements employed today?
- What level of "granularity" (i.e.- general/broad requirements in a methodology) could a business practice standard be possible?
- What information (ratings) should be provided to the marketplace?
 - How and when should such information be communicated?
- What added value would such a standard provide to the market participants?
- Should NAESB set the numerical levels for ATC?



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4. New Business

Any comments received on the revised draft initial review documents will be discussed during a conference call on October 21 from 1:00 to 3:00 p.m. Central. The next SRS meeting is scheduled for November 5, 2003 in Houston, TX.

5. Adjourn

The SRS meeting adjourned at 2:20 p.m. Central.

6. Meeting Attendees:

Name	Company	Notes
Ken Bachor	Seminole Electric	
Matt Bordelon	Cleco Power	
Roman Carter	Southern Company	
Mark Creech	Tennessee Valley Authority	
Ed Davis	Entergy	
Ken Gates	Conectiv	
Nick Henry	SMUD	
Jim Jacobi	Conectiv	
Alan Johnson	Mirant	
Cecilia Liang-Nicol	Allegheny	
Todd Oncken	NAESB Deputy Director	Admin
Marjorie Pearlman	Energy East Management Corp.	
Raj Rana	AEP	Co-chair
Lisa Robert	Defense Energy Support Center	
Glenn Spurlock	Seminole Electric	
Steve Terelmes	Ameren	
Charles Yeung	Reliant	Co-chair