



North American Energy Standards Board

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Home Page: www.naesb.org

via email and posting

TO: NAESB Wholesale Electric Quadrant Business Practices Subcommittee
FROM: Rae McQuade, NAESB Executive Director
cc: DeDe Kirby, NAESB Office
Joel Dison and Phil Cox, NAESB BPS Co-chairs
RE: Request for Comments Regarding First Draft of Version 0 NAESB Business Practices
DATE: July 9, 2004

Dear WEQ BPS participants, WEQ Members and Interested Parties,

The North American Energy Standards Board's (NAESB) Wholesale Electric Quadrant (WEQ) Business Practices Subcommittee (BPS) solicits industry comments on the first draft of its Version 0 Business Practice Standards. Please forward any comments you have by August 9 to the NAESB Office (naesb@naesb.org, fax: 713-356-0067). If you have any questions regarding the comment process please contact DeDe Kirby at our office (713-356-0060, dkirby@naesb.org). Your comments will be attributed and posted on the NAESB web site as they are received.

These proposed standards are being developed in conjunction with efforts by the North American Electric Reliability Counsel (NERC) to convert its policies into stand-alone Reliability Standards. The BPS, in conjunction with several NERC committees and subcommittees, have identified certain business practices contained within the NERC policies which should be developed as Business Practice Standards instead of Reliability Standards. This process is described in the attached Action Plan.

The purpose of this solicitation is to not only provide an update to the industry on the progress of that effort but also to seek comment on the direction being taken by that effort. Comments on the direction we are taking, the proposed standards, and answers to questions below shall be returned to the NAESB Office by August 9, 2004.

All proposed standards and supporting documentation can be found on the NAESB web site at the following address: http://www.naesb.org/weq/weq_bps_doc.asp.

In developing these business practice standards, the NAESB WEQ BPS took a very similar approach as that being taken by the NERC Version 0 Drafting Team. That approach can be summarized as follows:

1. There would be no change to the intent of the original provisions in the NERC policy.
2. The language would be converted into "standards language", replacing passive language with more active directives and requirements that clearly indicate the entity responsible for the action.
3. The standards would be written in accordance with the NERC Functional Model, replacing references such as "control area" and "system operator" with the appropriate Functional Model reference such as "Balancing Authority", "Transmission Operator", etc. However, NERC has decided that the "Interchange Authority" will not be implemented as part of the NERC Version 0 Reliability Standards. Consequently, NAESB will likewise not include "Interchange Authority" in any NAESB Version 0 Business Practice Standard.



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Generally speaking, where business practices were clearly identified, and it was agreed that NAESB should develop standards associated with those practices, the NERC Version 0 drafting team eliminated those practices from the conversion of the policy into reliability standards. In some cases, however, it should be pointed out that it was not possible and/or entirely practicable to completely eliminate the presence of the business practice in the NERC Version 0 Reliability Standard development. In these situations, the business practice standard and the reliability standard may contain very similar language, but will do so for very different purposes, namely defining the business and reliability requirements, respectively. The NAESB WEQ BPS has referred to this as the creation of “shadow” business practices, although in reality it is actually the planned transition of commercial issues out of reliability standards into business practice standards. It is fully expected that future versions of the NAESB Business Practice standards will expand upon these foundational “shadow” requirements. It is also fully expected that future versions of the NERC Reliability Standards will continue to de-emphasize commercial requirements, focusing instead on core reliability requirements. As such, any appearance of “duplication” should be considered temporary at worst. Until that duplication can be eliminated, extreme care has been (and will continue to be) taken to ensure no conflicts exist between the NERC requirements and the NAESB Business Practice Standards. This “shadowing” transition process is supported by both the NAESB WEQ BPS and the NERC Version 0 Drafting Team and is in complete harmony with the NERC/NAESB/IRC Memorandum of Understanding for coordination of standards development.

This posting represents the first draft of the proposed NAESB Version 0 Business Practices. It is recognized there are several outstanding issues that will be addressed in subsequent draft postings. This includes but is not limited to:

- Incorporation of the Time Error Correction Appendix A into the body of its requirements.
- Reconciliation of various document formatting inconsistencies
- Development of/or reference to an official glossary or other source of definitions for defined terms

Many of the proposed standards impose requirements on NERC Organizational Subcommittees as originally required in the NERC policies. The BPS believes that carrying those requirements forward into the NAESB Business Practice Standards is appropriate and seeks confirmation of that decision.

The following summarizes the Business Practice Standards being proposed as part of this process.

1. Time Control. The BPS converted NERC Policy 1, Section D, including Appendix 1D as a Business Practice Standard.

The BPS seeks industry comment on the conversion of the policy language into the proposed Business Practice Standard.

2. Inadvertent Energy Payback. The BPS converted NERC Policy 1, Section F, Requirements 4 (Inadvertent Payback) and 5 (Accounting) and Appendix 1F (Dispute Resolution) as a Business Practice Standard. Although the accounting provisions in Requirement 5 are primarily commercial, the NERC Version 0 drafting team determined to maintain that requirement in its reliability requirements as well to ensure metering and recording of



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inadvertent for reliability purposes. Therefore, the accounting portion of this standard is a “shadow” requirement.

The BPS seeks industry comment on the conversion of the policy language into the proposed Business Practice Standard. Furthermore, the BPS discovered apparent inconsistencies in the reporting deadline requirements between the original policy language, appendices and the NERC training manual. The BPS seeks clarification that it has appropriately represented inadvertent reporting deadline requirements.

3. ACE Equation Special Cases. The BPS converted NERC Policy 1, Appendix 1A, Sections B, C, and D as a Business Practice Standard. These special cases are primarily associated with special commercial situations and therefore represent business practices for modeling those commercial situations in the ACE equation. The NERC Version 0 Drafting team has not determined whether it will (a) convert these appendices into reliability standards, (b) include these appendices into a reference document, or (c) eliminate them altogether from reliability requirements under the presumption that they will become NAESB business practice standards.

The BPS seeks industry comment on the conversion of the policy language into the proposed Business Practice Standard. It also seeks answers to these questions associated with this standard:

- (1) Should NAESB develop them as a business practice standard even if NERC eliminates them completely? If not a standard, should it be a best practice guide?
- (2) If NERC does not adopt them as part of its reliability requirements but instead incorporates them into a reference document, should NAESB develop them as a business practice standard anyway? If not a standard, should it be a best practice guide?
- (3) If NERC keeps these sections as part of its Version 0 reliability requirements, should NAESB “shadow” them as a business practice standard or best practice guide as well?

4. Coordinate Interchange. In April, NAESB ratified “Version 1” of its Coordinate Interchange Business Practices (CIBP) Standard, which was essentially the conversion of the business practice elements of Policy 3, including the appropriate Policy 3 appendices. For Version 0, however, NERC has chosen NOT to implement the Interchange Authority. Therefore, The “Version 1 CIBP” had to be “reverted” into a Version 0 compatible standard. In developing the NERC Version 0 coordinate interchange requirements, the NERC Version 0 drafting team decided to maintain all of the Policy 3 appendices as part of the reliability requirements. Because these appendices are integral to both the NERC Version 0 reliability requirements and the NAESB Version 0 CIBP standard, it was necessary to “shadow” those appendices in both the NERC and NAESB standards.

The BPS seeks industry comment on the development of the Version 0 CIBP, including the inclusion of the Policy 3 appendices as an integral part of that standard.

5. Emergency Operations. The BPS converted several key business practices that were inherent to key sections of NERC Policy 5, as approved by the NERC BOT in April 2004, as a NAESB Business Practice Standard. These business practices formed the “context” for which the reliability requirements were based and were therefore not removed from NERC Policy. However, they establish the business practices upon which certain emergency situations should be predicated and form a foundation for future business practice development in this



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area. Therefore, this standard represents a “shadowing” of the Business Practice that will be embedded in those NERC Version 0 Reliability Standards.

The BPS seeks industry comment on the conversion of the policy language into the proposed Business Practice Standard.

6. Transmission Loading Relief (TLR). The BPS converted NERC Policy 9 Appendices 9C1, 9C1B, and 9C1C into a NAESB Business Practice Standard, combining all three appendices into a single standard set. These appendices are primarily commercial in nature. The NERC Drafting Team has agreed that the TLR procedure will NOT be part of the core reliability requirements but will, instead be an attachment to those requirements. Prior to ratification of its Version 0 Standards, NERC will decide whether to retain the language contained within the original NERC appendices or incorporate this NAESB TLR Standard.

The BPS seeks industry comment on the conversion of the policy language into the proposed Business Practice Standard.

Best Regards and we look forward to receiving your comments –

Rae McQuade

Rae McQuade
NAESB Executive Director



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Attachment A: WEQ BPS Schedule of Events

**WHOLESALE ELECTRIC QUADRANT BUSINESS PRACTICES SUBCOMMITTEE MEETING
SCHEDULE OF EVENTS AND MILESTONES TO PREPARE "VERSION 0" BUSINESS
PRACTICES
PLAN UPDATED JUNE 14, 2004**

Date	Time	Location	Event
May 11	1 – 4 P Central	Houston	NAESB WEQ BPS Meeting
May 20- 21	All Day	Chicago	NERC Standards Drafting Team Meeting
June 2- 3	2 nd 10 A – 5 P 3 rd 9 A - 3 P Eastern	Atlanta	NAESB WEQ BPS Meeting
June 9- 11	All Day	Chicago	NERC Standards Drafting Team Meeting
June 17-18	All Day	Columbus, OH	NAESB WEQ BPS Meeting
June 28-30	All Day	Chicago	NERC Standards Drafting Team Meeting
July 2			Distribution of NERC Version 0 Reliability Standards Draft 1 for comment
July 7 – 8	All Day	Houston	NAESB WEQ BPS Meeting
July 9			Distribution of NAESB Version 0 Business Practice Standards Draft 1 for comment – comments to be returned by August 9
July 16	11 A – 3 P	Tampa, FL	Proposed JIC Meeting where the two version 0 requests (the SAR from NERC and the request from NAESB) will be presented for JIC review and assignment – presumably to NERC and NAESB.
Aug 9			Comments returned to NAESB on proposed standards included in Draft 1 of the NAESB Version 0 Business Practice Standards
Aug 11- 13	All Day	??	NERC Standards Drafting Team Meeting



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Date	Time	Location	Event
Aug 17-18	All Day	Houston	NAESB WEQ BPS Meeting
Aug 24	All Day	Colorado Springs	NAESB WEQ EC Meeting
Aug 30			Distribution of NERC Version 0 Reliability Standards Draft 2 for comment
Aug 30			Distribution of NAESB Version 0 Business Practice Standards Draft 2 for comment – comments to be returned by September 30
Sep 30			Comments returned to NAESB on proposed standards included in Draft 2 of the NAESB Version 0 Business Practice Standards
Oct 12-13	All Day	Washington DC	NAESB WEQ BPS Meeting
Oct 25			Distribution of NERC Version 0 Reliability Standards Draft 3 for comment
Oct 25			Distribution of NAESB Version 0 Business Practice Standards Draft 3 for comment – comments to be returned by November 25
Nov 16	All Day	Washington DC	NAESB WEQ EC Meeting
Nov 25			Comments returned to NAESB on proposed standards included in Draft 3 of the NAESB Version 0 Business Practice Standards. Comments forwarded to the WEQ EC for consideration with Draft 3 for vote.
Nov 30	All Day	Tampa	WEQ EC Meeting, EC vote on proposed standards included in Draft 3 proposed standards including consideration of comments submitted on November 25.
Nov 30			Assuming the proposed standards are adopted by the EC on November 30, the EC-endorsed proposed standards are sent out to the WEQ membership for ratification.
Dec 30			Ratification ballot due back to the NAESB office.



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Date	Time	Location	Event
			Assuming results indicate that members ratify EC-endorsed proposed standards, they are considered NAESB standards.



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Attachment B: Version 0 Action Plan

Introduction

The NAESB Wholesale Electric Quadrant Business Practice Subcommittee met on June 17 & 18, 2004 at the AEP Offices in Columbus, OH. The purpose of this meeting was for NAESB WEQ BPS to develop an action plan for developing business practices identified as being embedded within existing NERC Operating Policies and Planning Standards.

While presenting the NAESB proposals to the NERC Version 0 Standard Drafting Team in Chicago on June 9-11, 2004, the NERC drafting team determined that, for many of the recommendation, it was not in the best interests of the NERC Version 0 process to remove the business practices from the reliability standards development. As a result, the BPS determined that despite this decision by NERC, NAESB should proceed with developing these Version 0 business practices (including some that may be “shadow” business practices to requirements included in the NERC Version 0 reliability requirements) so as to form a foundation upon which further business practice efforts can build. A “shadow” business practice is intended to substantively match the business requirements contained within the NERC Version 0 reliability standards. It is NAESB’s expectation that these business requirements contained in the NERC Version 0 reliability standards will be removed from subsequent versions of NERC standards.

The following summarizes the original recommendation, the discussions at the NERC drafting team meeting, and the action plan for the recommendation as determined by the NAESB BPS.

NERC Operating Policy 1 – “Generation Control & Performance”

Original Recommendation:

Section D “Time Control Standard”. NAESB would adopt this section of Policy 1, as is, for inclusion in Version 0 business practices, including Appendix 1D.

Reasoning as follows:

- Correction of a deviation that either had no reliability impact or was handled via another reliability standard
- No reliability purpose for the correction, commercial only
- Does not represent a reliability imbalance, but a longer term “steady state imbalance
- Anything other than instantaneous balance is a commercial issue, not a reliability issue

Discussion and/or Agreement at NERC Drafting Team Meeting:

With the exception of language within the Policy regarding the RA’s ability to halt time error correction when system conditions warrant, the drafting team agreed to the NAESB recommendation. In general, the NAESB representatives agreed to this modification.

Action Plan:



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NAESB will develop a business practice standard consistent with the requirements in Policy 1 Section D and Appendix 1D and shall “shadow” the NERC RA requirement as part of that standard.

Original Recommendation:

Section F “Inadvertent Interchange Standard”. NAESB would adopt this section of Policy 1 for inclusion in Version 0 business practices.

Reasoning as follows:

- Similar arguments to Section D.
- Scheduling of Inadvertent payback has significant financial and commercial implications

Discussion and/or Agreement at NERC Drafting Team Meeting:

Drafting team agreed to give NAESB requirement 5 (i.e. payback) and agreed that the accounting requirements (Requirement 4) should eventually go to NAESB, but not for Version 0. The NAESB representatives agreed to this modification to the recommendation for Version 0, but indicated that accounting procedures had significant commercial implications for settlement. As such, Version 1 changes to inadvertent business practice standards may include some accounting requirements.

Action Plan:

NAESB will develop a business practice standard consistent with the requirements in Policy 1 Section F Requirement 5 and shall “shadow” the business practices associated with Requirement 4.

Additional Policy 1 Discussion.

Raymond Vice recommended giving Sections B, C, and D of Appendix 1A to NAESB. This will be asked as part of the NERC public comments. Depending upon the outcome of the comments, NERC may or may not convert these Sections of Appendix 1A into reliability standards.

Action Plan:

NAESB will develop a “shadow” business practice standard consistent with the requirements in Appendix 1A sections B, C, and D.

NERC Operating Policy 3 – “Interchange”

Original Recommendation:

NAESB has already developed a version 1 Business Practice standard for Policy 3. This standard will be “reverted” into a Version 0 compatible standard.

Discussion and/or Agreement at NERC Drafting Team Meeting:

Roman Carter presented the breakout between NERC and NAESB, which recommended that all Policy 3 appendices stay with NERC for Version 0. For the most part, the team agreed to the



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breakout as presented by Mr. Carter. There was some discussion regarding giving the Policy 3 appendices to NAESB. This will be asked as part of the NERC public comments. Depending upon these comments, NERC may determine to keep these appendices as part of the Version 0 reliability standards.

Action Plan:

NAESB will develop the Version 0 Coordinate Interchange Business Practice Standard as presented by Mr. Carter, but will develop “shadow” business practices associated with Appendices 3A1, 3A2, 3A3, 3A4, and 3D.

Original Recommendation:

NAESB will offer to adopt the E TAG Protocol Document (not the implementation) for inclusion in Version 0 business practices. It will be NERC’s decision whether to approve this adoption.

Discussion and/or Agreement at NERC Drafting Team Meeting:

No decision was made regarding this although there was some general agreement that this could be handled by NAESB.

Action Plan:

NAESB will open dialogue with NERC regarding this recommendation.

NERC Operating Policy 5 – “Emergency Operations”

Original Recommendation:

Section 5C “Capacity and Energy Emergencies”, Requirement 2.1 “Mitigating an Energy Emergency. NAESB would adopt language similar to the following as Version 0 business practices.

Mitigating an Energy Emergency. Balancing Authorities shall utilize the following actions to return ACE to acceptable levels during an energy emergency:

- Load all available generating capacity
- Utilize all operating reserves
- Interrupt all interruptible load and interruptible exports
- Utilize all emergency assistance from other BALANCING AUTHORITY

Failure to Mitigate an Energy Emergency . When Its ACE is negative and cannot be returned to zero in the next fifteen minutes utilize all of the above methods,

- The deficient Balancing Authority shall manually shed firm load without delay to return its ACE to zero.
- The deficient Balancing Authority shall declare an EMERGENCY ENERGY Alert in accordance with NERC Standards.

Reasoning:

The language represents criteria and qualifications associated with declaring emergencies, which has significant commercial implications.



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Discussion and/or Agreement at NERC Drafting Team Meeting:

The drafting team did not agree to remove the corresponding language from the reliability requirements because doing so would remove the original reliability intent, but agreed that NAESB should include the “shadow” business practice language in its Version 0 efforts.

It was also agreed that NAESB should expand upon those business practices as part of its Version 1 efforts.

Action Plan:

NAESB will develop the “shadow” Business Practice Standard represented by the language listed above.

Original Recommendation:

Section 5C “Capacity and Energy Emergencies”, Requirement 3 “Elevating Transmission Service Priority within the Eastern Interconnection”. NAESB would adopt this section for inclusion in Version 0 business practices using language similar to the following:

Elevating Transmission Service Priority within the Eastern INTERCONNECTION. A TRANSMISSION PROVIDER shall only elevate the transmission service priority of an INTERCHANGE

TRANSACTION from Priority 6 (Network Integration Transmission Service from Non-designated Resources) to Priority 7 (Network Integration Transmission Service from designated Network Resources) if

- Permitted in its transmission tariff
- The LOAD-SERVING ENTITY served by the BALANCING AUTHORITY or TRANSMISSION PROVIDER has requested its RELIABILITY AUTHORITY to initiate an ENERGY EMERGENCY ALERT.
- The RELIABILITY AUTHORITY shall post the initiation of the Energy Emergency Alert and the expected total MW that may have its TRANSMISSION SERVICE priority changed on the NERC Web site

Are these business requirements or reference material???

3.2. EEA 1 will be used to *forecast* the change of the priority of TRANSMISSION SERVICE of an INTERCHANGE TRANSACTION on the system from Priority 6 to Priority 7.

3.3. EEA 2 will be used to *announce* the change of the priority of TRANSMISSION SERVICE of an INTERCHANGE TRANSACTION on the system from Priority 6 to Priority 7.

Reasoning:

- These requirement essentially represent a reallocation of firm service and therefore has commercial implications
- Generally speaking, rules governing when this can take place should be a commercial issue, not a reliability issue

Discussion and/or Agreement at NERC Drafting Team Meeting:

The drafting team did not agree to remove this language from the Version 0 reliability requirements because doing so would lose the context needed for the associated reliability



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requirements, but agreed that NAESB should develop the “shadow” business practices inherent in the Policy.

Action Plan:

NAESB will develop the “shadow” Business Practice Standard represented by the language listed above.

Original Recommendation:

From Section 5D “Transmission”, Requirement 2 “Operating Authorities Shall Not Burden Others”. NAESB would adopt the language “In instances where there is a difference in derived operating limits the BULK ELECTIRC SYSTEM shall always be operated to the most limiting parameter” for inclusion in Version 0 business practices.

Reasoning:

Business practices surrounding the resolution of differences in operating limits should be a commercial issue resolved within the context of other reliability requirements because of the potential impact on the market – it is not of itself a reliability requirement

Discussion and/or Agreement at NERC Drafting Team Meeting:

The drafting team did not agree to this recommendation, because the Policy represents real time emergency condition. In that context, the NAESB representatives agreed that this would be more appropriately a reliability requirement and agreed to withdraw this recommendation at this time.

Action Plan:

NAESB will not develop business practices associated with this requirement.

NERC Operating Policy 7 – “Telecommunications”

Original Recommendation:

NAESB will offer to adopt the ISN (Interregional Security Network) Communication Protocols as part of the Version 0 Business Practices. It will be NERC’s decision whether to approve this adoption.

Discussion and/or Agreement at NERC Drafting Team Meeting:

Although there were no decisions made, there was a general agreement that protocol development and maintenance should be handled by NAESB. Mark Fidrych agreed to direct the Communication Subcommittee to work with NAESB on this issue.

Action Plan:

NAESB will open dialogue with NERC regarding this recommendation.

NERC Appendix 9B – “Energy Emergency Alerts”

Original Recommendation:



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Section A “General Requirements”. NAESB would adopt language similar to the following as part of its Verion0 efforts to capture the imbedded business practices contained within the Policy:

Initiating an Energy Emergency Alert. LOAD SERVING ENTITIES shall be allowed to initiate an Energy Emergency Alert for the following reasons

- When the LSE is, or expects to be, unable to provide its customers’ energy requirements, and has been unsuccessful in locating other systems with available resources from which to purchase, or
- The LSE cannot schedule the resources due to, for example, ATC limitations or transmission loading relief limitations.

Restrictions for Initiating Energy Emergency Alerts. LOAD SERVING ENTITIES shall not initiate an Energy Emergency Alert based upon the cost of available resources

Discussion and/or Agreement at NERC Drafting Team Meeting:

The Drafting Team did not agree to remove these sections from the appendix, but agreed that Version 0 BPs are still needed.

Action Plan:

NAESB will develop the “shadow” Business Practice Standard represented by the language listed above.

NERC Appendix 9C1 – “Transmission Loading Relief”

Original Recommendation:

NAESB will adopt all of appendix 9C1 (including 9C1B “Interchange Transaction Reallocation During TLR Levels 3a and 5a” and 9C1C “Interchange Transaction Curtailments During TLR Level 3B”) as companion Version 0 business practices. NERC may determine that there are certain reliability requirements that it needs to “section out” of this appendix as Version 0 reliability standards.

Discussion and/or Agreement at NERC Drafting Team Meeting:

NERC wants NAESB to adopt the appendix as is, but they will keep it in the NERC standards as-is as well and identify the core reliability elements embedded in it for Version 1.

Action Plan:

NAESB will develop a business practice standard consistent with the requirements in Policy 9 Appendix 9C1, 9C1B, and 9C1C.

NERC Appendix 9C2 – “WSCC Unscheduled Flow Reduction Procedure”

Original Recommendation:

NAESB will adopt all of appendix 9C2, as is, for inclusion in Version 0 business practices. NERC may determine that there are certain reliability requirements that it needs to “section out” of this appendix as Version 0 reliability standards.



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Discussion and/or Agreement at NERC Drafting Team Meeting:

Similar discussion to 9C1 took place, but Ken Wilson says WECC doesn't want NAESB to adopt. NAESB will have to determine what needs to be done, but may just have to have a WECC regional difference.

Action Plan:

NAESB will not develop a business practice standard consistent with the requirements in Policy 9 Appendix 9C2 unless requested to do so through the NAESB standards request process. Furthermore, a regional difference will be incorporated into the Business Practice Standard associated with Appendix 9C1 that allows the WECC to utilize their own congestion management procedures.

NERC Appendix 9C3 – “ERCOT Operating Guide III, Operation to Maintain Transmission System Security”

Original Recommendation:

NAESB will adopt all of appendix 9C3, as is, for inclusion in Version 0 business practices. NERC may determine that there are certain reliability requirements that it needs to “section out” of this appendix as Version 0 reliability standards.

Discussion and/or Agreement at NERC Drafting Team Meeting:

This particular ERCOT procedure is obsolete. The procedure hasn't been used for years. NAESB will have to have an ERCOT regional difference.

Action Plan:

NAESB will not develop a business practice standard consistent with the requirements in Policy 9 Appendix 9C3 unless requested to do so through the NAESB standards request process. Furthermore, a regional difference will be incorporated into the Business Practice Standard associated with Appendix 9C1 that allows ERCOT to utilize their own congestion management procedures.