Final Minutes
Lake Erie Security Process Working Group 4/17/02 Meeting
Meeting Held at Hyatt Hotel Pittsburgh Airport

Meeting Attendees:

Karl Tammar (Chair) NYISO ktammar@nyiso.com
Jim Cyrulewski MECS cyrulewskij@dteenergy.com
Ron Falsetti IMO ron.falsetti@theIMO.com
Mike Francis PJM francis@pjm.com
Bob Kissner Allegheny Power jkissne@alleghenypower.com
Greg Krajnik PJM krajnik@pjm.com
Emeka Okongwu Hydro One emeka.okongwu@hydroone.com
Paul Roman NPCC proman@npcc.org
Simon Tam PJM tamsk@pjcc.com

1. Administrative Items

The LESPWG roster and e-mail lists were reviewed. The revised roster will be re-issued to the Working Group members and will be posted on the NPCC web site. LESPWG e-mail list revisions will be made. The March 5 meeting/March 15 conference call minutes, including the action items, were reviewed and the final version will be issued and posted on the web site.

2. Report on Related Industry Activities and Issues

Northeast ISOs/RTO

Karl Tammar indicated that there is a late June target for the filing with FERC by New York ISO and ISO-New England on the Northeast RTO. FERC agrees with the direction being pursued for the Northeast RTO with regard to the use of locational pricing. In the Northeast more attention has recently been focused on LEER and the LEER Agreement.

Simon Tam reported on the April 1 implementation of PJM West into the PJM Control Area. The transition went pretty well. Bob Kissner added that Allegheny Power is now the Reliability Authority (RA) for Duquesne Light and First Energy. First Energy has had discussions with AEP for AEP to take over the RA responsibility for First Energy. In addition, by June 30, 2002 Duquesne Light must secure another entity as RA, possibly also AEP.

Jim Cyrulewski indicated that on May 1, 2002 the Consumers Energy system would be owned by Trans-Elect under its subsidiary METC LLC. Effective that date the Michigan Electric Coordinated System (MECS), except the Ontario-Michigan Interface, would be under the Midwest ISO (MISO) who becomes the
Reliability Authority and transmission system provider. MECS would still be the entity to call TLRs on the Michigan system. MECS would also tell MISO when to call TLRs for the Ontario-Michigan Interface.

The fate of Alliance Gridco was also to be determined soon by FERC order. The Agreement wording accommodates various outcomes.

**Recent PJM TLRs**

During several days prior to the April 17 meeting TLRs were called for the loss of one Wylie Ridge 500/345 kV transformer on the other. This has been an area that has traditionally seen heavy post-contingency flows. At the time the TLRs were called the Kammer-Belmont 765 circuit and a Meadow Brook circuit breaker had been out service and contributed to loading on the Wylie Ridge Transformers. The Kammer 765/345 Transformer #4 and the Sammis –Star 345kV circuit were out but had lesser influence.

Simon Tam indicated the PJM actions prior to calling the TLR:

1) Did as much with generation dispatch as possible.
2) Tried to send low LMP signals to boundary buses. Prices were close to zero at the interface buses but there were still transactions coming in. PJM also cut all transactions not willing to pay congestion.
3) Spot sales to PJM were cut.

At the times when the TLRs were called the temperatures were cooler in the Allegheny Power area than further east and flows were approaching the 1600-1700 MW transfer capability. It was considered an emergency situation and PJM operators had previously been trained to recognize potential problems with the Wylie Ridge loadings. Quite a few transactions were curtailed and the TLRs affected a large amount of transaction MWs. However, the circumstances did not match what PJM would need to call a LEER. PJM and New York have discussed the redispacth of some New York generators that would have helped alleviate the loading problems near the PJM-New York boundary. PJM is trying to make similar arrangements with FirstEnergy to alleviate overloads in the Wylie Ridge area.

Bob Kissner indicated that the PJM operation practices trigger calling the TLR sooner than the Allegheny Power procedures would have, previously.

Simon Tam concluded that the market responded to the price signals to alter the system flows but it wasn’t enough.

**NERC Market Interface Committee (MIC)/Congestion Management Subcommittee (CMS)**
Karl Tammar reported that the CMS made software improvements to the Interchange Distribution Calculator in order to use Market Redispatch (MRD). Bob Kissner mentioned that there had been a MRD on the Entergy system about a year ago but there have apparently been no other MRDs since.

**Ontario Market Implementation**

Ron Falsetti reconfirmed that the Ontario wholesale/retail market is going ahead on May 1. The Ontario Energy Board will administer the retail market. So far there are 260 confirmed market participants.

**NERC Policy 5 Issues**

In late January Bob Kissner had distributed the NERC Policy 5C text related to unwinding from a redispatch to use as guide for LESPWG to address this issue.

The following is the text from NERC Policy 5C with the suggested changes from LESPWG added in order to clarify the Policy:

**Relieving OPERATING SECURITY LIMIT violations.** Each CONTROL AREA experiencing or materially contributing to an OPERATING SECURITY LIMIT violation shall take immediate steps to relieve the condition.

**Use of voluntary redispatch to mitigate CONSTRAINTS.** A SYSTEM OPERATOR may ask a generator to voluntarily redispatch its generation to avoid or mitigate an OPERATING SECURITY LIMIT violation. Intentionally arranged redispatches to protect specific transactions and constraints (i.e. NERC MRD or local or Interregional congestion management procedure) are not regarded as voluntary redispatch in this context. The SYSTEM OPERATOR may allow the generator to resume its normal (“economic) dispatch when:

- The amount of necessary additional constraint relief has been provided by a local or Interregional transmission loading relief or congestion management procedure, and
- Such a resumption to normal dispatch does not knowingly cause a CONSTRAINT elsewhere and
- The TRANSMISSION PROVIDER has received permission from his RELIABILITY AUTHORITY.

LESPWG agreed with the changes and urged that all be done to continued to promote the changes to Policy 5C within the appropriate NERC groups.

**3. Status of LESP Tools**

**Hotline**

There are presently six hotline participants (IMO, Allegheny Power, AEP, NYISO, PJM and MECS). Bob Kissner indicated that Allegheny Power will now take a passive role. They will not initiate a LEER but still intend to participate in
the drills. Bob suggested that MISO should now take an active role. Simon Tam mentioned that it has been considered for Allegheny Power to provide a hotline backup service.

The May testing of the hotline will be conducted. Based on the schedule, NYISO will initiate it. For most participants the backup telephone number is the control room supervisor number. **Action: After the next hotline test all participants will check with their control rooms to ensure that the hotline backup numbers are correct.**

**Training Materials**

The training materials need to be posted on the NPCC web site. Ron Falsetti had previously coordinated the training materials package. Ron Falsetti will “houseclean” the set of LEER training materials and will provide this to Paul Roman to post. Paul will post on the NPCC web site.

**4. System Redispatch (SRD)**

Karl Tammar reviewed the previous discussions and the steps used to arrive at the escalation cost to be used for system redispatch. A 20% escalation factor had been chosen for redispatch settlements. Simon Tam mentioned that there had been considerable discussion at PJM on how to apply this based on the customer’s point of view. Considerations included:

1) Price transparency to demand side—Locational Marginal Pricing changes continuously and customers want to protect their transactions. They know the maximum price they are willing to pay for protection from curtailments but with SRD there is uncertainty of the price.

2) Equitable compensation to the supply side—Much of the time the 120% may not be sufficient because it doesn’t meet the bid price. Presently, PJM guarantees to make the supplier under PJM dispatch whole over a 24-hour period. The 120% would no longer provide that guarantee.

3) Operational burden because service may be provided without compensation—It takes considerable effort to determine effective sources and sinks for the redispatch transaction but since SRD is voluntary, the customer can just say no. In that case service is provided with no compensation.

The Working Group discussed these points:

1) It was felt that participating traders would be close to the prices and would have a very good up-to-date knowledge of prices. Karl Tammar indicated that there is still the need to work through more market examples to provide assurance to potential participants.
2) Karl Tammar mentioned that there had been several earlier discussions which were meant to ensure that the process specifies that “nobody looses money”.

3) The Working Group agreed that an automatic procedure should be put in place to avoid this uncompensated effort.

Jim Cyrulewski pointed out that for acceptance of SRD within Michigan MISO input will be necessary.

5. LEER Re-Filing Update

Karl Tammar reported that Draft 1.4 of the LEER re-filing had recently been issued. Most typos and small errors have been identified and corrected in this draft. The final item needed before re-filing is to line up the signatories. The following appear to be the signatories:

- Trans-Elect (Paul McCoy) but if Consumers Energy is the signatory instead of TransElec then Frank Johnson would sign.
- ITC (Joe Welsh)
- IMO (Previous signatory was Derek Cowbourne but signatory will now be Paul Murphy).
- NYISO (Mike Calimano)
- PJM (Rich Wodyka)
- AEP (not yet known)
- MISO (Bill Phillips)

ACTION: Paul Roman will get the signature sheets. Paul will hold and send copies to all. When ready to make the re-filing Paul will send out a clean copy plus the signature sheet to each signatory.

PAR Compensation

Emeka Okongwu discussed Section III A in the LEER Agreement related to the LEER Settlement Process. He argued that the language dealt with generators but was not adequately covering compensation for PAR operations. There is no rate schedule in place now used by Hydro One for operation of the PARs. Previously there had been embedded cost recovery. Karl Tammar indicated that once a recognized tariff is put in place for the operation of the PARs then it can be incorporated into the LEER Agreement. LESPWG agreed after reviewing the present Agreement language that this could be done.

6. Update on Michigan-Ontario Phase Angle Regulators (PARs)

Emeka Okongwu reported on this item. The Keith-Waterman 230 kV circuit (J5D) PAR remains in service and is being operated to control power flows. The Scott-Bunce Creek
230 kV (B3N) and Lambton-St. Clair 345 kV (L4D) circuit PARs are in service and are being operated on neutral tap. The Lambton-St. Clair 345 kV (L51D) circuit PAR is expected to be in service by the end of year 2002.

7. LEER Drill for 2002

The LEER drill for 2002 is scheduled for Wednesday May 29 with a May 31 backup date. The same six participants as 2001 plus MISO are expected to participate. The loss of one Wylie Ridge 500/345 kV transformer on the other will be the problem flowgate in the drill. IMO as the dependent RA is the initiator of the drill. PJM is the constrained RA. The drill will assume a threatened transaction from AEP to IMO with some flow passing through the alternate Allegheny Power path. The drill will follow the Operations Manual.

PJM will initiate development of the drill script and send out a draft by the end of April. Paul Roman will post on the NPCC web site. Larry Alderink had developed the 2001 drill script.

8. Future Meetings

A conference call was scheduled for May 3 at 10 a.m. with tentative topics of discussion including: NERC Policy 5, LEER Agreement signing update and training slides. The next meeting was scheduled for May 21 again at the Pittsburgh Airport Hyatt Hotel. Another meeting was scheduled for June 11 at the Pittsburgh Airport Hyatt Hotel.

Prepared by Paul A. Roman
Draft for Comment Minutes Issued on May 14, 2002.
Draft for Approval Minutes Issued on May 20, 2002.
Final Minutes Posted May 24, 2002.

ACTION ITEMS
Lake Erie Security Process Working Group Meeting
April 17, 2002 at Pittsburgh, Pa.

1. Paul Roman will revise the roster, issue it to the Working Group and post it on the NPCC web site. He will also revise the LESPWG mailing list based on changes received.

2. After the next hotline test all participants will check with their control rooms to ensure that the hotline backup numbers are correct.

3. Ron Falsetti will “houseclean” the set of LEER training materials and will provide this to Paul Roman to post. Paul will post on the NPCC web site.
4. Paul Roman will get the signature sheets. Paul will hold and send copies to all. When ready to make the re-filing Paul will send out a clean copy plus the signature sheet to each signatory.

5. PJM will initiate development of the drill script and send out by the end of April. Paul Roman will post on the NPCC web site.