Final Minutes
Lake Erie Security Process Working Group 5/21/02 Meeting
Meeting Held at Hyatt Hotel Pittsburgh Airport

Meeting Attendees:

Karl Tammar (Chair) NYISO ktammar@nyiso.com
Larry Alderink MECS alderink1@mepcc.com
Don Douglas Alliance Gridco don.douglas@alliancererto.com
Ron Falsetti IMO ron.falsetti@theIMO.com
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Paul Roman NPCC proman@npcc.org
Simon Tam PJM tamsk@pjm.com

1. Administrative Items

The April 17 meeting, May 3 conference call notes and the action items list were reviewed and the final version will be issued.

2. Report on Related Industry Activities and Issues

Northeast ISOs/RTO

Karl Tammar reported that the Northeast RTO developments are still on track.

Larry Alderink reported that the sale of the Consumers Energy system to Trans-Elect occurred on May 1. The name of the subsidiary is Michigan Electric Transmission Company (METC LLC). Midwest ISO (MISO) is now clearly entrenched in Michigan as MISO will control the systems previously under the control of Consumers Energy and Detroit Edison/ITC. All Consumers Energy employees affected by the purchase have been offered jobs by Trans-Elect.

Don Douglas indicated that on May 24 the Alliance systems will file with FERC regarding which RTO they intend to go with. AEP had recently announced they intend to go with PJM. The Alliance systems include AEP, FirstEnergy, NIPSCO, Dayton Power & Light, ComEd, Ameren, Illinois Power and Dominion Virginia.

Bob Kissner mentioned that integration of Allegheny Power into PJM West has required adjustments on both sides. Planning requirements are more stringent in PJM compared to ECAR. Also, PJM criteria calls for a 4-hour facility rating
compared to the 1-hour rating previously used by Allegheny Power. Simon Tam added that the participants are still learning how to deal with new situations but it has been manageable so far. CPS 1 and 2 are now reported as one entity to NERC.

Ray Morella mentioned that in ECAR there is auto reserve sharing (ARS) which involves reserve sharing among the ECAR companies. Since the creation of PJM West there have been problems balancing ARS.

**NERC Policy 5 Issues**

This item is on the agenda for the joint NERC ORS/CMS meeting in June.

### 3. Status of LESP Tools

**GSF Viewer**

Simon Tam was not able to access GSF several times recently. Karl Tammar also reported recent attempts to use GSF that just timed out. Karl had checked with Lou Leffler at NERC. Lou Leffler said that file transfers are typically done at 2 a.m. each day and can sometimes lock up. LESPWG members can contact Lou Leffler to get help with their access problems. The NERC support number is # (609) 452-0014. MECS has also used the NERC Central Repository accessed through the NERC web site as an alternate way to use the GSF viewer.

**Hotline**

MISO has been added to the hotline list. MISO also needs to be worked into the rotation for the monthly test. As not all participants picked up during the last hotline test it was suggested that another hotline test be run before the 2002 summer LEER drill. Bob Kissner suggested that a test of the backup at Allegheny Power also be conducted. This was agreed to. Once a year as part of PJM’s turn Allegheny Power will do a backup bridge test. The PJM turns are in June and December.

The procedure will keep the language that indicates the test is on the first Monday of the month.

**Training Materials**

Ron Falsetti will make some additional changes to the training material slides regarding RAs and RAIS. Paul Roman will re-post on the NPCC web site with the revisions included.

**Redispatch Options**
Ray Morella pointed out that a market Redispatch (MRD) could apply Sammis generation level changes to reduce very heavy Wylie Ridge transformer contingency loadings.

4. System Redispatch (SRD)

At the April 17 LESPWG meeting Simon Tam had raised several items that need to be considered from the customer’s point of view and resolved so that the SRD would look more attractive and stakeholders would be willing to accept and use it. These items were:

1) Price transparency to demand side—Locational Marginal Pricing (LMP) 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 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 following summarizes the discussion on items 1 and 2:

LESPWG had reviewed the Costs & Settlements section in the SRD draft and also reviewed the Cost & Price Determination subsection language. Simon Tam again emphasized the need for market participants to be able to monitor regional prices. The market participants need to act based on market signals. An important piece of information is the price at which a transaction will no longer stay in place. For example, generators outside of PJM may not have enough price information to follow market signals.

Karl Tammar pointed out that generators do have the availability of some indices in different markets, same as marketers or brokers. This concept had been introduced and discussed at earlier LESPWG meetings. These indices provide generators with some reasonable expectation of what they would get paid.

Simon Tam emphasized that sufficient price information needs to be available to allow for bidding. In the Midwest many generators may not have cost/bid curves. Generators in the East are more likely to have cost estimates. In the ISO markets the implication is that costs for SRD will be LMP + 20% and generators can then evaluate versus their cost curves. Greg Krajnik made the point that market participants cannot be perceived as
withholding bids. He also suggested that some entity needs to be designated to monitor the bidding practices. LESPWG believed that the ISOs would fill this monitoring role.

Ray Morella suggested that non-LMP entities who don’t have a price mechanism in place may be able to use avoided cost or regional market price. There exists a PJM West hub price. This represents an aggregate weighted average for the price for 111 buses between Lake Erie and Virginia and does not represent a boundary price for PJM. THIS IS NOT THE SAME AS PJM WEST OR DOES NOT INCLUDE BUSES IN WHAT IS NOW PJM WEST. In order to continue transactions entities must pay the difference between the PJM west hub price and a boundary bus price. The PJM West hub price appears to be a reasonable surrogate price.

FirstEnergy and MECS presently do not post any bus or aggregate prices. Many other entities also do not post prices.

Simon Tam indicated that LESPWG was making the assumption that prices stay within a reasonable range but there really was quite a bit of price variation. Also, unlike emergency redispatch there was not a guarantee that an entity would be made whole. For emergency conditions generators know they will get the emergency price (150%). The present PJM tariff does not have price provisions for other than emergency transactions so for SRD, tariff changes would be needed. A similar situation exists for New York where a tariff change would be needed for SRD. However, in PJM a price of 120% of LMP is not nearly as certain to the generator. For a centralized dispatch hour to hour each generator can decide whether to be in or out. Karl Tammar likened TLR1 to a “poor man’s LMP” because it effectively sends a price signal.

With regard to contractual load under load management, LESPWG agreed that this load would have to receive the same price as a generator would. Karl pointed out that in New York there are price sensitive loads (under Energy Demand Response Program) that have similar pricing.

LESPWG participants will take the SRD Costs and Settlements section content back to their organizations to get feedback on its applicability.

The following summarizes the discussion on item 3:

More operational burden would be expected, as SRD would be invoked more often than LEER. Karl Tammar suggested the need for more automation to use SRD. Public postings for prices in many of the Lake Erie region entities are available for up to 36 hours. In addition, the Open Scheduling System may be useful to help implement SRD. If the SRD process is sent to FERC a caveat could be added that SRD may take a while to be implemented (e.g. up to a year).

5. LEER Re-Filing Update
Jim Cyrulewski had provided some revisions to incorporate in the LEER re-filing document. Paul Roman will check to make sure these changes get in. MISO and AEP still have not fully committed to sign the re-filing. In all the documents the official name FirstEnergy Corp will be used. Ray Morella reported that FirstEnergy is very close to reaching agreement to sign. LESPWG agreed that the target for re-filing is mid-June.

It was pointed out that the Operating Manual will need some revisions to make its content consistent with the updated LEER re-filing. **The Operating Manual will need to be reviewed by mid-June 2002.** A conference call may be needed to discuss any Operating Manual changes.

Ray Morella questioned whether any LEER participants had made changes to existing tariffs to acknowledge LEER participation. It appeared that this was generally done by reference and not by tariff modifications.

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

Ron Falsetti and Larry Alderink reported that the fourth PAR (in L4D circuit) will not be ready until late November. The J5D circuit PAR has continually been operated to control flows. As previously reported the B3N and L51D circuit PARs have been operated on neutral tap. Ontario and Michigan parties have discussed use of an “Option C” for use of the three PARs to control system power flows under some conditions. However, agreement by Hydro One and ITC would need to be reached for such alternate operation and that has not happened yet.

7. **LEER Drill for 2002 Summer**

The drill procedure was reviewed. Greg Krajnik clarified that appendix F (drill/Guide Checklist) in the 2002 drill procedure was previously designated as Appendix G. **After the 2002 summer drill is conducted Appendix C (Transmission Reservation Practices under LEER) will be removed and placed in the Operations Manual.** LESPWG approved this change.

Ron Falsetti suggested that the drill also be used to test the settlement process. LESPWG agreed to do this. The intent is to produce a bill for the simulated transaction.

8. **Future Meetings**

The next LESPWG meeting was re-scheduled for June 13 at the Pittsburgh Airport Hyatt Hotel.

Prepared by Paul A. Roman  
Draft for Comment Minutes Issued on June 5, 2002.  
Final Minutes Issued on June 14, 2002.
ACTION ITEMS
Lake Erie Security Process Working Group Meeting
May 21, 2002 at Pittsburgh, Pa.

1. After the 2002 summer drill is conducted Appendix C (Transmission Reservation Practices under LEER) will be removed and placed in the Operations Manual.


3. Ron Falsetti will make some additional changes to the training material slides regarding RAs and RAIS. Paul Roman will re-post on the NPCC web site with the revisions included.

4. LESPWG participants will take the SRD Costs and Settlements section content back to their organizations to get feedback on its applicability.