Final Minutes
9/10-11/02 Meeting
Meeting Held at Midwest ISO, Carmel, In.

Meeting Attendees:

Karl Tammar (Chair) NYISO ktammar@nyiso.com
Larry Alderink MECS alderinkl@mecs.com
Ron Goin (9/11) MISO rgoins@midwestiso.org
Ron Falsetti IMO ron.falsetti@theIMO.com
Richard Gell Ontario Power Generation Richard.gell@opg.com
David Kiguel Hydro One david.kiguel@HydroOne.com
Greg Krajnik PJM krajnik@pjm.com
Emeka Okongwu Hydro One emeka.okongwu@hydroone.com
Bob Moore PJM moore@pjm.com
Paul Roman NPCC proman@npcc.org
Dave Zwergel (9/10) MISO Dzwergel@midwestiso.org

1. Administrative Items

The minutes from the June 13 meeting had previously been reviewed, finalized and posted on the NPCC web site. The main actions discussed during the July 18 conference call were reviewed.

Mike Francis, Greg Krajnik, Emeka Okongwu, David Kiguel and Richard Gell have been added to the LESPWG mailing list and roster.

Action items from the previous meetings and conference call were reviewed:

- Conduct August LEER Hotline Call. **Completed**
- Assess the various ways to access the GSF Viewer (through the Interchange Distribution Calculator, through NERC, through the Midwest ISO Viewer). **Completed during the meeting.**
- Midwest ISO to determine if LESP members could access the GSF viewer. At this time it was determined that the LESPWG members cannot have this access due to IT security concerns.
- Address wording on Phase Angle Regulator Usage Section, specifically the sentence on avoidance of “financial harm”.
- Re-file LEER Agreement with FERC. **Done on August 12.**
- Original signature sheets sent to NPCC Law Firm. **Completed.**
- Posting of Re-filed Agreement posted on the NPCC web site. **Completed**
- Operations Manual revisions were made to update in order to be consistent with the re-filed LEER Agreement. **Revisions made and updated version was posted on the web site.**
• LESPWG members review the operating procedure with respect to use of the RCIS with objective of streamlining.

2. Report on Related Industry Activities and Issues

ISO/RTO Developments

Karl Tammar reported that NYISO and ISO-New England filed with FERC in August to form NERTO. ISO-New England is completing development of its two-settlement system with implementation targeted for early 2003. This will effectively fulfill NERTO Standard Market Design Phase 1 requirements. Later in 2003 NYISO and ISO-NE market formation will be addressed together to fulfill SMD phase 2 requirements. In these areas almost all entities have been fully divested so they already address most SMD requirements. Ron Falsetti added that the IMO is targeting completion of a Memorandum Of Understanding with NERTO.

Greg Krajnik and Bob Moore discussed the PJM changes and schedule. By December 1, 2002 the PJM West ATC calculation will come under the PJM tariff and will include tagging. Integration of AEP and Dayton Power & Light is scheduled for May 1, 2003. By October 1, 2003 Dominion Resources integration will occur and will be similar to Allegheny Power. Com Ed and Illinois Power integration is scheduled for December 1, 2003. Duquesne Light integration has been pushed back to summer 2004.

Dave Zwergel reported that Ameren, NIPSCO and FirstEnergy (Grid America) are scheduled to fall under the Midwest ISO (MISO) tariff including ATC calculation by December 1, 2002. Consumers/METC and Detroit Edison/ITC are already full MISO members.

David Kiguel mentioned that the fate of Hydro One has not yet been resolved. The latest options considered are: Ontario government would sell 49% of assets to a single entity or sell 9.9% of assets. If 10% or more were sold, Hydro One would no longer be a crown corporation and would have different treatment with regard to federal taxes.

Operator Certification

Greg Krajnik indicated that NERC recently suspended the Reliability Coordinator exams. PJM will now also have a separate certification exam for all system operators. This certification will be required for all PJM member system operators. They will have two years to comply with this requirement. This means that operators will need to have both NERC Reliability Coordinator and PJM certification. PJM is addressing the need for staffing to handle significantly increased responsibilities.
NERC Congestion Management Subcommittee (CMS)

Karl Tammar mentioned a standards authorization process idea introduced to the CMS by Detroit Edison to utilize phase angle regulators to clear TLRs with the PAR owner receiving a financial benefit. **Karl will forward the CMS minutes to LESPWG when they come out.**

3. Status of LESP Tools

Open Scheduling System (OSS)

Paul Roman reported that there have been several workshops to discuss the features and applications of the OSS. The most recent was on June 13 and that workshop included presentations from OATI in which the OATI scheduling tools were also discussed.

GSF Viewer/MISO GSF Viewer and demo

Dave Zwergel discussed the various ways that MISO has to access the GSF: Direct IDC, via NERC version that is updated once a day, MISO viewer, MISO viewer with SDX updates. SDX updates the generation and network data when changes occur. The following table indicates the access methods available to each of the LEER participants:

<table>
<thead>
<tr>
<th></th>
<th>Direct IDC via RCIS</th>
<th>GSF via NERC</th>
<th>GSF via Midwest ISO</th>
</tr>
</thead>
<tbody>
<tr>
<td>IMO</td>
<td>IMO access as RC</td>
<td>Secondary access</td>
<td></td>
</tr>
<tr>
<td>MISO</td>
<td>MISO access as RC</td>
<td>Access available</td>
<td>Primary access</td>
</tr>
<tr>
<td>PJM</td>
<td>PJM access as RC</td>
<td>Secondary access</td>
<td></td>
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<tr>
<td>FE</td>
<td>FE access as RC</td>
<td>Use MISO as RC</td>
<td></td>
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<tr>
<td>MECS</td>
<td>MECS as RC</td>
<td>Secondary access</td>
<td></td>
</tr>
<tr>
<td>AEP</td>
<td>AEP as RC</td>
<td>Secondary access</td>
<td></td>
</tr>
<tr>
<td>NYISO</td>
<td>NYISO as RC</td>
<td>Secondary access</td>
<td></td>
</tr>
<tr>
<td>NPCC</td>
<td></td>
<td>Via NPCC website, NERC password required</td>
<td></td>
</tr>
</tbody>
</table>

Communication/Hotline

It was not known whether Allegheny Power (AP) will continue to participate in the hotline calls as Bob Kissner will be retiring at some time before the end of year. **Paul Roman will contact Bob Kissner to see if AP will continue to participate.** If AP is no longer involved an alternate means to provide a backup bridge will need to be developed.
**Spinning Reserve Market**

Greg Krajnik mentioned that PJM is opening a spinning reserve market. Training workshops in Great Valley, Pa. are scheduled for October 18 and November 5. Details on the workshops are indicated on the PJM website.

**4. System Redispatch (SRD)**

Dave Zwergel will prepare a common presentation for the SRD.

**Draft Agreement Review**

There was not sufficient time to address this during the meeting and a conference call was scheduled for Friday, September 20 from 2 to 4 p.m. EDT.

**MISO Attachment K Congestion Management**

Ron Goins discussed the process MISO went through in trying to develop congestion management tools. The MISO stakeholders had agreed with the general principles but many stakeholders were very much opposed once details were known. Several stakeholders intervened with the FERC filing. The following are questions raised during the MISO stakeholder review process followed by the ways the questions are answered in LEER.

- When implemented? For TLR5? For emergency? For LEER it would be on TLR3.

- Cost? What bids are used from generators/LSE’s-emergency or market-based? For LEER it would be market-based bids.

- Who pays and how much? How are costs socialized? For LEER the payment would be 100 + 20%. The application of these costs is clearer in emergency situations. For SRD enough cost information needs to be available to participants so they can determine whether to participate in a redispatch.

Additional issues:

- How to monitor compliance? Must the DEC unit or INC unit be taken out of economic dispatch? Must DEC unit remain at a specific level? If so, is DEC unit compensated for entire amount of unused capacity? Must the INC unit remain at a specific level?

- How to prevent gaming / market power? If a specific unit is continually used for a known problem area, what is to prevent that unit from bidding higher? LEER and other redispatch methods really cannot completely prevent gaming with a free market.
• How are bids submitted? How much lead time is required for bids into redispatch? How often can bids be updated or changed? Is cost of redispatch immediately available once asked for?

• Can marketers opt in/opt out hourly based on cost? What is lead time to opt in? Is cost known and available to marketers hourly? Previously LESPWG had tried to use the Cinergy index to establish a fair cost but it was not acceptable to all. It was suggested that the Close-Of-Business price would be good for marketers because it is usually high compared to real time prices.

• Does process work in tandem with IDC? If not, what additional processes are required to be carried out by RC?

• Can generators outside the area/group bid in? What if most effective generators for congested area are not in the group? Outside generators cannot bid in.

• Will areas be willing to use up all generation to continue transactions, then when NNL is necessary, no generation is left to compensate (load shed to achieve?)

• Who would implement an MRD tag? The System Operator has to manage the process including obtaining the MRD tag.

**Settlement Examples and Issues**

Bob Moore and Greg Krajnik raised concerns that settlements for LEER would need to be settled manually.

Greg Krajnik also posed the following question: What if a LEER were called and then retroactive analysis showed it should not have been called? Participants felt that this would be considered similar to other system operation actions that are taken based on the system knowledge at hand.

PJM does not have a way to initiate emergency transactions if PJM is not in an emergency state. Greg suggested that some participants may still be reluctant to invoke LEER or SRD because they are not sure that specific settlement billing mechanisms are in place. Possibly with RTOs in place and with more advanced market and pricing mechanisms it may be feasible to apply the tools more frequently.

**Implementation Plan**

Karl Tammar introduced possible steps for implementation of the system redispatch and the Working Group discussed each:
- Finalize the SRD agreement by October 1.
- Run through the stakeholder review process (market and reliability aspects) during October and November. Buy in from operations, billing, and legal staff plus senior management will be needed.
- The target for obtaining stakeholder approval from each participant is January 15, 2003. LESPWG members will need to aggressively seek these approvals as this may not be a high priority among some stakeholders.
- Develop the FERC filing. File the procedure first and revise tariffs later. Ask FERC for a one-year implementation period.
- Add references in each of the pertinent tariffs to the SRD procedure. Modify the tariffs to address settlements. This will likely stay as a manual process because of the costs and priority of the IT work necessary to automate.
- Develop the IT infrastructure in order to implement. Software development will probably need to start soon. Some examples of software related changes needed include: GSF viewer access, internal EMS changes, ISO market information systems, Open Scheduling System, settlement software for automation and real time security assessment tools (optional).
- Develop the operating procedures. These would include step-by-step procedures plus internal area procedures.
- Develop the operating manual and training materials. Training of operators needs to be a specific part of the SRD implementation plan. Common training slides need to be developed. Drill procedures and in-house training also need to be developed and conducted.
- Conduct SRD Drill

**Impact of Standard Market Design (SMD)**

MISO had received many questions regarding the impacts of SMD implementation such as the use of LMP. With these changes it is possible that as other mechanisms appear, SRD would no longer be needed.

**5. LEER Procedure**

Discussion on this topic was delayed until the next meeting.

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

David Kiguel reported that the most recent in service date for the Circuit #L4D PAR is January 2003. An Ontario-Michigan Agreement for operation of the four Ontario-Michigan interface PARs has not been reached and no progress has been in made in the most recent discussions. The Ontario position is to use the PARs to schedule transactions.
7. Future Meetings

LESPWG Conference calls and meetings scheduled:

- Conference call from 2-4 p.m. EDT on Friday, September 20.
- Conference call from 10 a.m.-noon on Thursday, September 26.
- The next meeting was scheduled for October 9-10 in Pittsburgh. First day starting time will be 10 a.m. and second day ending time is 2 p.m.

Prepared by Paul A. Roman
Draft for Comment Minutes Issued on September 25, 2002.
Final Minutes Adopted on October 9, 2002.

ACTION ITEMS
Lake Erie Security Process Working Group Meeting
September 11, 2002 at Carmel, In.

1. Karl will forward the CMS minutes to LESPWG when they come out.

2. Paul Roman will contact Bob Kissner to see if AP will continue to participate.

3. If AP is no longer involved an alternate means to provide a backup bridge will need to be developed.

4. Dave Zwergel will prepare a common presentation for the SRD.

5. LESPWG to continue review and revision of SRD Agreement.