

Minutes

Interchange Subcommittee (IS)

November 8, 2011 | 8:00 a.m. – 5:00 p.m.

NERC Headquarters
3353 Peachtree Road NE
Suite 600, North Tower
Atlanta, Georgia

The Interchange Subcommittee (IS) met on November 8, 2011 in Atlanta, Georgia. The meeting agenda and attendance list are affixed as **Exhibits A** and **B**, respectively.

IS Chair Joe Gardner presided and Larry Kezele announced that a quorum was present and read the applicable Notice of Public Meeting.

Antitrust Compliance Statement

Larry Kezele summarized the NERC Antitrust Compliance Guidelines.

Pseudo Tie Arrangement between Two Market Participants

C. J. Brown explained Southwest Power Pool, Inc's (SPP) conclusion that the Dynamic Transfer Guidelines allows for internal entities, within the SPP market footprint, to pseudo tie physical generation between each other with no pre-arranged transmission service having been purchased. He informed the subcommittee that SPP's Energy Imbalance Service (EIS) market has "as available" transmission service for energy to be settled in the EIS market. Because of this, SPP does not believe additional transmission service is needed to pseudo tie a resource, internal to the EIS market footprint only, and take on the regulating responsibility, as well as other balancing services outside of imbalance service, for that resource. If transmission service was procured, the resource could be scheduled accordingly. Transmission service in SPP is sold based on the true physical location of the resource to a specified sink regardless of being pseudo tied. Without schedules off of the resource the entire output of the resource would settle in the EIS market and the Market Participant (MP) would not be able to use the NLPS tool to account for their native resource to their native load. Only if a MP obtained firm transmission would they be allowed to utilize the NLPS tool.

Shane Jenson, Omaha Public Power District (OPPD), asked if the Dynamic Transfer Guidelines intended to allow this outcome. OPPD's concern is that if an entity wants to make a transaction with another company and can't get transmission, they can bypass the whole Transmission Service Reservation (TSR) flowgate analysis process by putting in a pseudo tie. While the pseudo tie can still get curtailed, it will still flow power some of the time. Doesn't this bypass others who made TSR requests that affected the same flowgate, possibly who made their rejected TSR request first? What if many entities decided to

no longer purchase TSRs (bypassing the flowgate analysis process) and just set up pseudo ties as needed? Day ahead or maybe even hour-ahead flowgate impact analysis via transmission service requests would become meaningless and the TLRs would be massive as no proposed transactions/flows would be rejected prior to real time power flows.

In the ensuing discussion the following was observed:

1. Resource is considered in SPP market flow as non-firm priority NN2 or NN6.
2. SPP proposal was vetted with SPP market participants.
3. Primary concern is bypassing request for transmission service.
4. SPP is following Joint Operating Agreement and will not be required to file a revised FERC transmission tariff to support implementation of this proposal.
5. This situation may be unique to Regional Transmission Organizations.

The subcommittee considered the following paragraphs of the Dynamic Transfer Guideline in developing a response for SPP and OPD:

1. Paragraph 5.2 (Transmission Service)

Prior to implementation of the pseudo-tie transfer of load or generation, each involved BA shall ensure that the dynamic transfer is implemented such that the tariff requirements of the applicable transmission provider(s), including applicable ancillary services and provision of losses, are met.

If transmission service between the native and attaining BA(s) is curtailed, then the allowable range of the magnitude of the pseudo-ties between them must be limited accordingly to these constraints.

Agreements must be in place with the applicable transmission providers to address the physical and/or financial provision of transmission losses.

2. Chapter 3, Section 1, Third Bullet

Dynamic transfers can be used for, but not limited to the following scenarios:

Enable generators, loads, or both in one BA to supply one or more interconnected operations services to generators, loads, or both in another BA

In consideration of the above, the subcommittee concluded that the SPP proposal was in conformance with the Dynamic Transfer Guidelines.

Utilization of Actual and Scheduled Net Interchange Data

Mike Oatts briefed the IS on a Resources Subcommittee proposal to share net interchange actual and net interchange scheduled data between balancing authorities (BAs) and reliability coordinators (RCs) at least once per minute. Doing so would allow for BAs and RCs to more quickly identify off-normal frequency thus alerting operators to look for control or metering issues, occurrences of missed

interchange schedules or errors in tie-line data. Mr. Oatts noted that FRCC has such a methodology and tool currently in place. He also reviewed a survey, which he intends to conduct among members of the Operating Reliability Subcommittee.

The subcommittee discussed the following:

1. The tool would only be valid if all BAs in an Interconnection are participating.
2. Not all BAs have the data readily available, for example, to allow for sharing of data by ICCP.
3. Implementation of the tool would allow for RCs to more readily identify sources of frequency excursions.
4. Compliance concerns with this data collection effort.

November 9–10, 2010 IS Meeting Minutes

By unanimous consent, the subcommittee approved the minutes of the November 9–10, 2010 meeting.

Review of Comments Received from Posting of Version 4 of the Interchange Reference Guidelines

Vice Chair Jeremy West led the subcommittee in a review of the comments received during the December 10, 2010 – January 31, 2011 posting of Version 4 of the Interchange Reference Guidelines. Team Lead West, Bob Harshbarger, Eric Nehf and Shane Jenson will continue to revise the response to comments and Interchange Reference Guidelines in accordance with the comments received and the subcommittee's discussion of those comments. The subcommittee scheduled a webinar and conference call on January 19, 2012 from 1 p.m. to 5 p.m. EST to further discuss Version 4 of the Interchange Reference Guidelines.

Eastern Interconnection Interchange Tool Task Force

Vice Chair Jeremy West, chair of the Eastern Interconnection Interchange Tool Task Force, informed the subcommittee that he will draft a task force report. The draft report will include a summary of the survey conducted by the task force and a discussion of its findings, conclusions and recommendations.

Coordinate Interchange Standard Drafting Team

Chair Gardner reported that the NERC Board of Trustees approved the 2012–2014 Reliability Standards Development Plan at its November 3, 2011 meeting. Project 2008-12 (Coordinate Interchange Standards) is shown in Appendix 4 as a Pending Project in 2013 (http://www.nerc.com/files/RSDP2012-2014_BOT_Approved_2011NOV03.pdf). The development plan explains that Project 2008-12 will revise the set of Coordinate Interchange standards to ensure that each requirement is assigned to an owner, operator, or user of the bulk power system, and not to a tool used to coordinate interchange; to address the Interchange Subcommittee concerns related to the Dynamic Transfers and Pseudo-ties; and to address previously identified stakeholder comments. The project also will consider adding requirements to have backup capability for use when the interchange transaction tool fails.

The reliability standards impacted by Project 2008-12 are:

1. INT-001 (Interchange Information)
2. INT-003 (Interchange Transaction Implementation)
3. INT-004 (Dynamic Interchange Transaction Modifications)
4. INT-005 (Interchange Authority Distributes Arranged Interchange)
5. INT-006 (Response to Interchange Authority)
6. INT-007 (Interchange Confirmation)
7. INT-008 (Interchange Authority Distributes Status)
8. INT-009 (Implementation of Interchange)
9. INT-010 (Interchange Coordination Exemptions)

The development plan also notes that this project's SAR was finalized December 1, 2008 and that an initial draft set of standards was developed and posted for comment from November 10, 2009 through December 9, 2009. However, the project was moved into informal development in 2011. It is estimated this project will start in Q2 2013 and complete in Q2 2014.

Chair Gardner tasked Mr. Kezele with having the Coordinate Interchange standard drafting team website updated to reflect the second posting of the proposed INT standards.

ACE Diversity Interchange Task Force White Paper

Larry Kezele informed the subcommittee that the ACE Diversity Interchange Task Force's draft white paper was included in the meeting's agenda. He encouraged subcommittee review and comment on the draft white paper.

Recognition of Don Lacen

Chair Gardner noted that this is Don Lacen's last subcommittee meeting. Mr. Lacen has been a valuable contributor to the subcommittee for thirteen years. The subcommittee will miss his friendship and wealth of knowledge and expertise.

Next Meeting

The next meeting of the IS will be on January 19, 2012 from 1:00 – to 5:00 p.m. EST by webinar and conference call.

Adjournment

The subcommittee meeting adjourned at 3:50 p.m. EST on November 8, 2011.

Larry Kezele

Larry J. Kezele
Secretary

Agenda

Interchange Subcommittee (IS)

November 8, 2011 | 8:00 a.m.–5:00 p.m.

NERC Headquarters
3353 Peachtree Road NE
Suite 600, North Tower
Atlanta, Georgia
404-446-2560

Conference – 1-866-740-1260, Pass code 5247004

Introductions and Chair's Remarks

NERC Antitrust Compliance Guidelines and Public Announcement

Agenda

1. Administrative

- a. Membership and Guests* — Chair Gardner
 - i. IS Roster
- b. Arrangements — Larry Kezele
- c. Parliamentary Procedures* — Larry Kezele
- d. **Approval** — Meeting Agenda — Chair Gardner
- e. **Approval** — November 9–10, 2010 Meeting Minutes* — Chair Gardner
- f. Interchange Subcommittee Action Items List* — Chair Gardner

2. Review of Comments Received from Posting of the Version 4 of the Interchange Reference Guidelines* — Vice Chair West

- a. Version 4 of the Interchange Reference Guidelines* (Available in Word format at <http://www.nerc.com/filez/is.html>)
- b. Comments Received Posted at <http://www.nerc.com/filez/is.html>.

Interchange Reference Guidelines Version 4 was posted for comment from December 10, 2010 – January 31, 2011.

3. Eastern Interconnection Interchange Tool Task Force — Vice Chair West
4. Coordinate Interchange Standard Drafting Team — Chair Gardner

5. **Better Utilization of Actual and Scheduled Net Interchange Data*** — Larry Kezele
6. **Pseudo Tie Arrangement Between Two Market Participants** — CJ Brown
 - a. Background — Pseudo Tie Arrangement Between Two Market Participants*
 - b. Summary of Pseudo Tie Arrangement Between Two Market Participants*
 - c. Dynamic Transfer Guidelines*
7. **ACE Diversity Interchange Task Force White Paper*** – Larry Kezele
8. **Future Meetings**
 - a. None currently scheduled

The Operating Committee asked the ACE Diversity Interchange Task Force to request comments on its draft white paper. Comments are due by November 4, 2011.

*Background materials included.

**Interchange Subcommittee
Meeting Attendance
November 8, 2011
Atlanta, Georgia**

Name	
Chair (MISO)	Joe Gardner
Vice Chair (Entergy)	Jeremy West
TVA	Phillip Wiginton
SPP	C. J. Brown
Southern	Mike Oatts (speakerphone)
ISO-NE	Cheryl Mendrala
Entergy	Clint Aymond
Shane Jenson	OPPD
Southern	John Ciza
PNM	Don Lacen (via speakerphone)
Paul Rice	WECC
ERCOT	Joel Mickey
Grid Protection Alliance	Russell Robertson
FRCC	Ron Donahey (speakerphone)
Puget Sound Energy	Bob Harshbarger
Mary Willey	BPA (speakerphone)
Eric Nehf	BPA (speakerphone)
NERC	Larry Kezele