



## **TLR General Update**

October 3, 2006 8:00 am – 5:00 pm

Midwest ISO

701 City Center Drive

Carmel, Indiana 46032

317-249-5400

Conference Phone: 1 (732) 694-2061 Code: 11071003#

Webex Meeting number: 711 240 352

Meeting password: 11071003

### **Agenda**

#### Attachments:

Team Roster  
NERC Anti-Trust Guidelines  
Joint Development Process  
Directions to MISO  
Conference Call Minutes

1. Welcome and Introductions
2. Review Minutes of Last Conference Call
3. Comments from industry.
  - a. Final review of comments
4. Review changes since activity stopped.
  - a. Make incremental split decisions.
  - b. Update spreadsheet
5. Define Joint Publication format.
  - a. NERC Identification
  - b. NAESB Identification
6. Next Steps/Meeting
7. Adjourn

August 17, 2006

## Transmission Loading Relief (TLR) Drafting Team

### Chairman

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## **NERC ANTITRUST COMPLIANCE GUIDELINES**

### **I. GENERAL**

It is NERC's policy and practice to obey the antitrust laws and to avoid all conduct that unreasonably restrains competition. This policy requires the avoidance of any conduct that violates, or that might appear to violate, the antitrust laws. Among other things, the antitrust laws forbid any agreement between or among competitors regarding prices, availability of service, product design, terms of sale, division of markets, allocation of customers or any other activity that unreasonably restrains competition.

It is the responsibility of every NERC participant and employee who may in any way affect NERC's compliance with the antitrust laws to carry out this commitment.

Antitrust laws are complex and subject to court interpretation that can vary over time and from one court to another. The purpose of these guidelines is to alert NERC participants and employees to potential antitrust problems and to set forth policies to be followed with respect to activities that may involve antitrust considerations. In some instances, the NERC policy contained in these guidelines is stricter than the applicable antitrust laws. Any NERC participant or employee who is uncertain about the legal ramifications of a particular course of conduct or who has doubts or concerns about whether NERC's antitrust compliance policy is implicated in any situation should consult NERC's General Counsel immediately.

### **II. PROHIBITED ACTIVITIES**

Participants in NERC activities (including those of its committees and subgroups) should refrain from the following when acting in their capacity as participants in NERC activities (e.g., at NERC meetings, conference calls and in informal discussions):

- Discussions involving pricing information, especially margin (profit) and internal cost information and participants' expectations as to their future prices or internal costs.
- Discussions of a participant's marketing strategies.
- Discussions regarding how customers and geographical areas are to be divided among competitors.
- Discussions concerning the exclusion of competitors from markets.
- Discussions concerning boycotting or group refusals to deal with competitors, vendors or suppliers.

### III. ACTIVITIES THAT ARE PERMITTED

From time to time decisions or actions of NERC (including those of its committees and subgroups) may have a negative impact on particular entities and thus in that sense adversely impact competition. Decisions and actions by NERC (including its committees and subgroups) should only be undertaken for the purpose of promoting and maintaining the reliability and adequacy of the bulk power system. If you do not have a legitimate purpose consistent with this objective for discussing a matter, please refrain from discussing the matter during NERC meetings and in other NERC-related communications.

You should also ensure that NERC procedures, including those set forth in NERC's Certificate of Incorporation and Bylaws are followed in conducting NERC business. Other NERC procedures that may be applicable to a particular NERC activity include the following:

- Reliability Standards Process Manual
- Organization and Procedures Manual for the NERC Standing Committees
- System Operator Certification Program

In addition, all discussions in NERC meetings and other NERC-related communications should be within the scope of the mandate for or assignment to the particular NERC committee or subgroup, as well as within the scope of the published agenda for the meeting.

No decisions should be made nor any actions taken in NERC activities for the purpose of giving an industry participant or group of participants a competitive advantage over other participants. In particular, decisions with respect to setting, revising, or assessing compliance with NERC reliability standards should not be influenced by anti-competitive motivations.

Subject to the foregoing restrictions, participants in NERC activities may discuss:

- Reliability matters relating to the bulk power system, including operation and planning matters such as establishing or revising reliability standards, special operating procedures, operating transfer capabilities, and plans for new facilities.
- Matters relating to the impact of reliability standards for the bulk power system on electricity markets, and the impact of electricity market operations on the reliability of the bulk power system.
- Proposed filings or other communications with state or federal regulatory authorities or other governmental entities.
- Matters relating to the internal governance, management and operation of NERC, such as nominations for vacant committee positions, budgeting and assessments, and employment matters; and procedural matters such as planning and scheduling meetings.

Any other matters that do not clearly fall within these guidelines should be reviewed with NERC's General Counsel before being discussed.



## North American Energy Standards Board

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### NERC NAESB Template Procedure for Joint Standards Development and Coordination Prepared as of 2-22-06

Principles & Assumptions:	<ul style="list-style-type: none"> <li>• The joint standards should be readily and easily available to all industry participants required to follow them.</li> <li>• The jointly developed standard(s) should clearly distinguish components within it as either being reliability-related or business practices-related. A jointly developed standard can be a "two-part" standard clearly identifying that it contains (a) separate reliability requirements and (b) separate business practices, but such requirements cannot be both reliability <u>and</u> business practice requirements.</li> <li>• The procedures followed for joint development will comport with the existing standards development procedures certified by ANSI for both organizations.</li> </ul>
Goals & Objectives:	<ul style="list-style-type: none"> <li>• The joint development efforts are closely coordinated within the procedures defined and approved for NERC and NAESB.</li> <li>• The participation within the joint development is balanced between NERC and NAESB to ensure an equitable outcome.</li> <li>• The procedures should not be overly bureaucratic to discourage the NERC and NAESB volunteers from participation. They should be written to allow the volunteers to focus on the development of standards, rather than interpretations of the procedures.</li> <li>• The participants should be committed to the process, demonstrating a willingness to reach consensus and provided with the ability to make decisions from the organizations they represent.</li> <li>• The executive management of NERC and NAESB should be actively involved in resolution of disputes and in providing guidance to support consensus building between the two organizations.</li> </ul>
Key Differences between reliability standards and business practices:	<ul style="list-style-type: none"> <li>• Reliability standards are directed to the continuous operation of the power grid, and address the performance, adequacy and security of the bulk electric system.</li> <li>• Business practices are focused on the transparency of the power market and support a strong and diverse market. Much of the business practices are directed toward streamlining commercial transactions and the information exchanged to effect those commercial transactions between trading partners.</li> <li>• As noted in Appendix A of the MOU, except as required to achieve specific reliability objectives, the functions identified in the functional model diagrams as "generator" whether merchant or load-affiliated), "purchasing-selling entity," "load-serving entity," "market operator," "customer aggregator," and certain of the relationships and information flows of transmission service provider," "transmission owner," and "transmission operator" are associated with how wholesale electric business practices and electronic communication protocols are developed for use by market participants.</li> </ul>



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## NERC NAESB Template

### Procedure for Joint Standards Development and Coordination

Prepared as of 2-22-06

	<p>Additionally, market criteria such as product or service definitions, specifications, and compensation; prerequisites for participation in market and identification of costs and funding obligations; arrangements for product and service delivery to customers; creditworthiness requirements; market-related business practices; market settlement practices; and communication protocols in support of market criteria should be considered. Standards development proposals applicable to those functions and to the relationships and information flows among those functions normally would be assigned to NAESB, unless there is a specific reliability objective to be addressed to one of these functions.</p> <ul style="list-style-type: none"> <li>• As noted in Appendix A of the MOU, in general, the functions identified in the functional model diagrams as “reliability authority,” “balancing authority,” “interchange authority,” “compliance monitor,” “NERC,” and certain of the relationships and information flows of “transmission service provider,” “transmission owner,” and “transmission operator” are associated with the reliable operation of the bulk power system. Standards development proposals applicable to those functions and to the relationships and information flows among those functions normally would be assigned to NERC, unless there is a specific business practice objective to be addressed to one of these functions.</li> <li>• Business practices are forwarded to the FERC, and the process for making the standards mandatory to the utilities falls under the Federal Power Act. If the FERC chooses, the standards may be included in a notice of proposed rule-making, followed by a comment period, possibly followed by a final order, additional comments and an order on rehearing. The Commission ensures that the standards are followed by the jurisdictional entities and sets the compliance terms.</li> <li>• Reliability standards will follow the rules of the Electric Reliability Organization (ERO) and fall under the Energy Policy Act of 2005. The ERO sets the performance measures, terms for compliance and penalties for non-compliance and as such the reliability standards should be clearly measurable. FERC must approve the reliability standards before they take effect. The reliability standards apply to a broader audience than that of business practices mandated by the FERC.</li> </ul>
<p>Constraints and Other Considerations:</p>	<ul style="list-style-type: none"> <li>• NERC and NAESB executive management have agreed that a revenue neutral solution to provide for joint publication of standards is needed and should be achievable. The NERC and NAESB executive management should make the decision if joint publication is needed.</li> <li>• The template described herein for a joint standards development and coordination process is a standalone agreement between NERC and NAESB, drafted by the senior executives of each group.</li> <li>• The NERC and NAESB senior executives responsible for the coordination may choose to form a separate group to address issues brought forward that needed joint guidance or joint resolution when consensus of the joint development group was not achieved.</li> </ul>



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## NERC NAESB Template Procedure for Joint Standards Development and Coordination Prepared as of 2-22-06

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Process Description:

- After a request or SAR is assigned to NAESB or NERC, the senior executives of the two groups determine if joint development is needed.
- If it is needed, the request or SAR is assigned to the appropriate NAESB standards development group and the NERC drafting team. The two groups hold joint meetings and jointly determine the split of standards into reliability standards and business practices.
- The split is forwarded to the WEQ EC for approval and the appropriate committee within NERC for approval. The groups still continue to meet jointly and pursue development while this approval is being sought. This step should not cause delay in development.
- Once standards have been drafted, the standards may be posted for one or more rounds of comments and responses until the joint group has reached the determination that a broad general industry perspective has been achieved and the standards are ready for vote.
- Before the standards are sent out for adoption, the NERC office and the NAESB office should determine if tools or other software are needed, or if those tools or software in place need modifications. If so, the two offices will be required to make a determination if the creation of tools or software or changes to existing tools or software are technically feasible and within the financial framework of the organizations. If they are not feasible or fundable, the senior management of the two organizations shall be requested to determine a course of action regarding tools or software.
- The standards then follow both the NERC procedure (for the standards deemed reliability) and the NAESB procedure (for standards deemed business practices) for adoption. For ease of viewing by users during development, the reliability standards may show the associated business practices for reference and the business practices may show the associated reliability standards for reference. However, the reliability standards and business practices shall remain separate and shall be approved through each respective process.
- Once adopted, the senior executives of both NERC and NAESB shall determine if joint publication is needed to facilitate use by stakeholders. If so, the publication should clearly distinguish the reliability standards from the business practices in one document. NERC and NAESB senior executives with responsibility for the legal aspects and financial aspects of the two organizations will have previously reached a revenue neutral solution on the joint publication.
- The business practices standards will be filed with the FERC and the reliability standards will follow the procedures outlined for the ERO. The filings may be joint, but should clearly identify each standard as either a business practice or reliability standard as they are to be treated differently by FERC and will apply to a different



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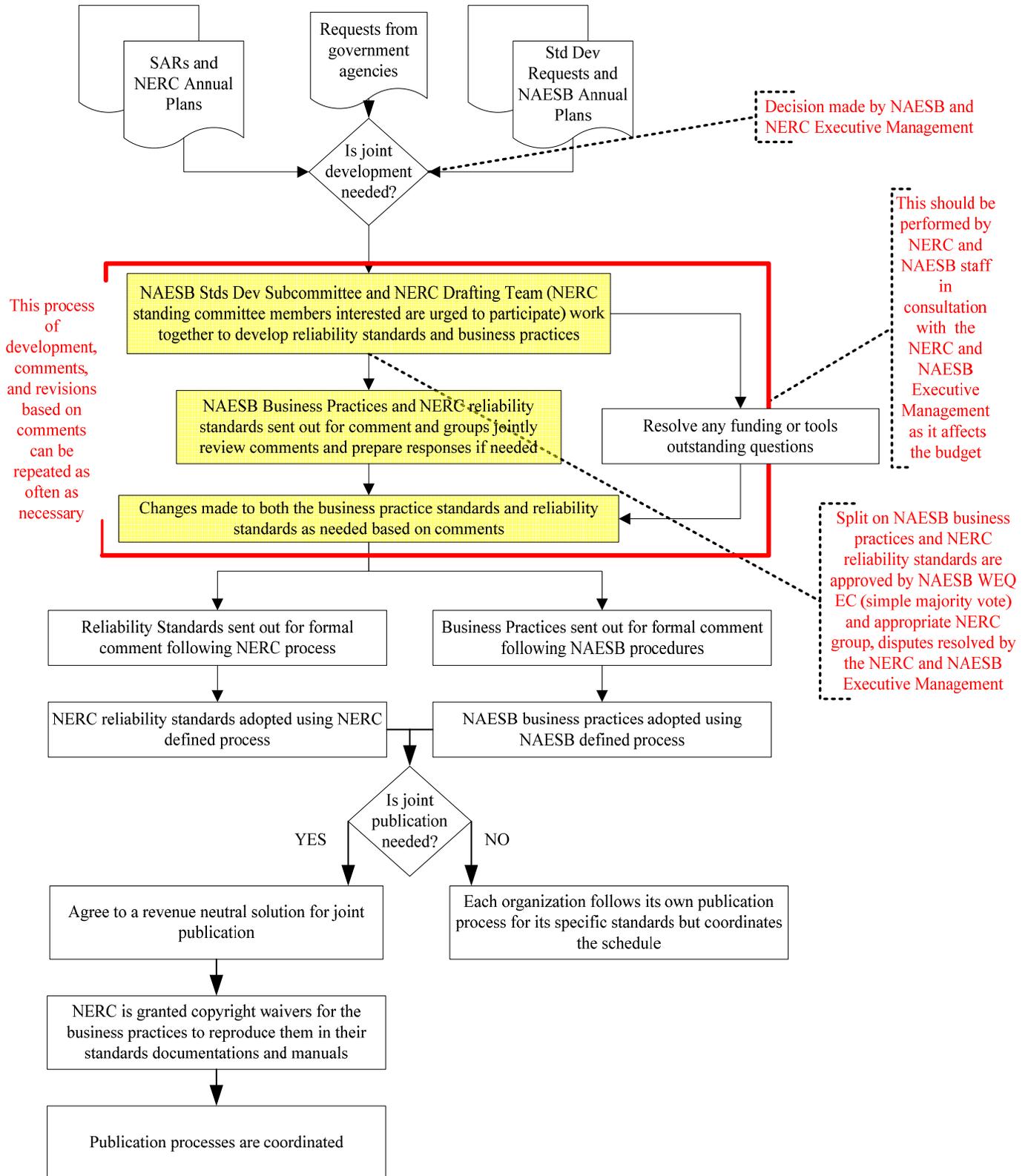
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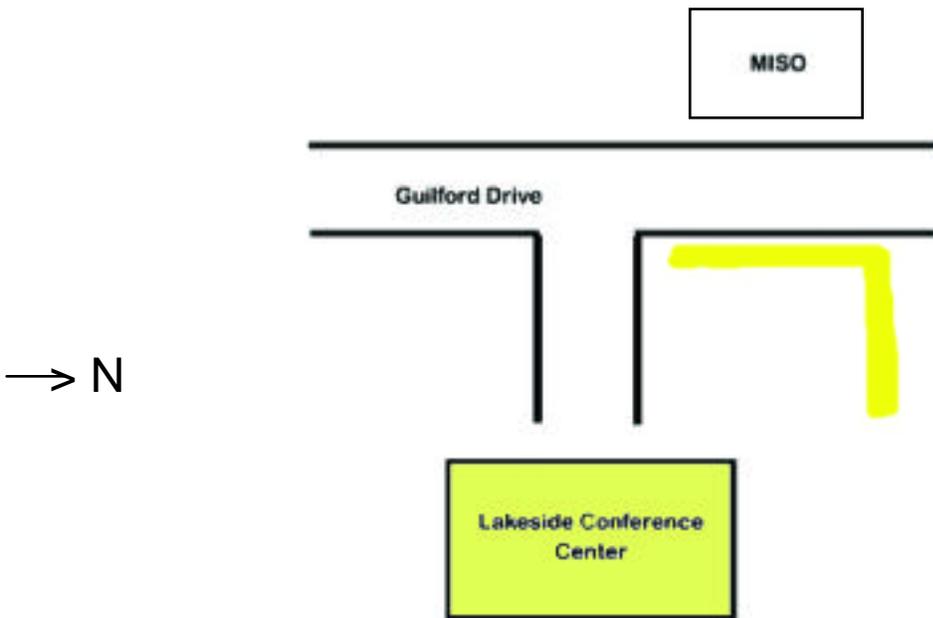
## NERC NAESB Template Procedure for Joint Standards Development and Coordination Prepared as of 2-22-06

	<p>jurisdiction.</p> <ul style="list-style-type: none"><li>• Should there be a dispute or an inability to reach a joint agreement during any part of the procedure outlined, the senior management of NERC and NAESB will be approached for guidance and resolution.</li></ul>
Special Considerations on Outstanding Issues:	<ul style="list-style-type: none"><li>• This process demonstrates to the NAESB WEQ Board of Directors that sufficient coordination between the two organizations is in place so that the TLR business practices may proceed on to the ratification process. After ratification, the standards will not be forwarded to the FERC in a filing until the two organizations have used the joint development process to ensure that both the reliability standards and business practices are consistent.</li><li>• The FERC may monitor and could provide input and guidance during the joint development efforts.</li><li>• A joint development and coordination process as outlined above would preclude the need for the Joint Interface Committee to make an assignment of each proposed standard, as the reliability standards and business practices would be developed in concert while avoiding duplication of effort and conflicting results.</li></ul>

NERC-NAESB Coordination  
 Joint Standards Development Process  
 As of 2/22/06

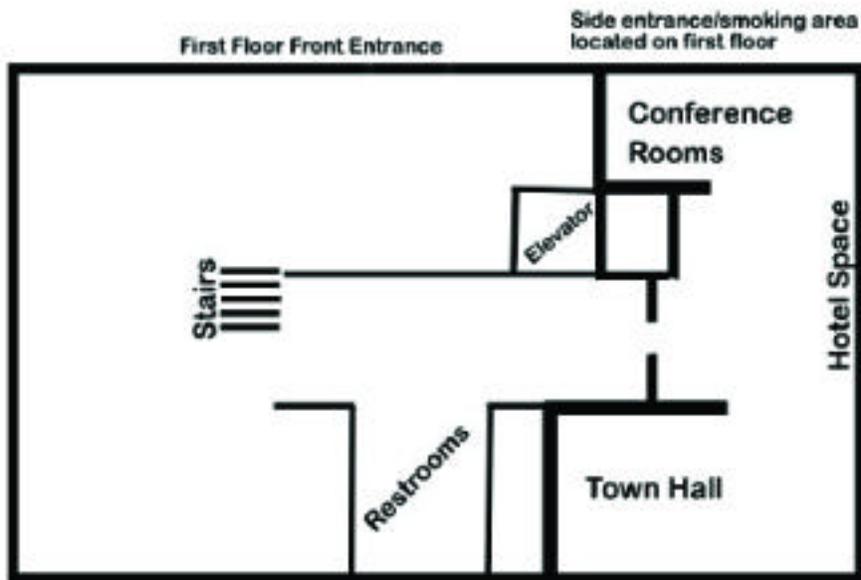


Lakeside Conference Center is located directly across the street from the Midwest ISO, Carmel. Parking for the Midwest ISO is located on the outer perimeter of the north and northwest side of the parking lot.



MISO parking located on outer perimeter on the north side of the parking lot (indicated in yellow).

### Second Floor - Suite 260



The Midwest ISO's conference center is located at the north end of the hallway on the second floor.



### TLR SAR-DT minutes September 11, 2006

The TLR SAR-DT held a conference call September 11, 2006. The NERC Anti Trust guides were covered. Bill Blevins reviewed the antitrust guidelines and agenda for the call.

Bill Blevins informed the group that this would be the last meeting he would facilitate for the drafting team. Bill Lohrman will facilitate the meetings going forward. The group reviewed the draft responses to comments. Bill Blevins will send the team the responses after the call and Bill Lohrman will revise the responses and send out to the team before the next meeting.

The group set a date for the next meeting of October 3 2006. The meeting will be at the MISO office. Bill Lohrman will work with NERC to provide a conference bridge and webex capability for the meeting. The meeting will be to approve the responses to comments, identify incremental changes that have been made to the IRO-006 standard so that the items can be split as reliability or business items and to discuss the format for joint publication. The proposed format is that NERC and NAESB will use a common numbering system and the font will be different so that each organizations portion of the joint document can be identified easily.