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PUBLIC SERVICE COMMISSION



#153

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Chair

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M. DIANNE DRAINER  
Vice Chair

## Missouri Public Service Commission

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November 19, 1997

FILED

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MISSOURI  
PUBLIC SERVICE COMMISSION

CECIL I. WRIGHT  
Executive Secretary

WESS A. HENDERSON  
Director, Utility Operations

GORDON L. PERSINGER  
Director, Advisory & Public Affairs

ROBERT SCHALLENBERG  
Director, Utility Services

DONNA M. KOLILIS  
Director, Administration

DALE HARDY ROBERTS  
Chief Administrative Law Judge

DANA K. JOYCE  
General Counsel

Mr. Dale Hardy Roberts  
Secretary/Chief Regulatory Law Judge  
Missouri Public Service Commission  
P. O. Box 360  
Jefferson City, MO 65102

**RE: Case No. EW-97-245 - Retail Electric Competition Task Force**

Dear Mr. Roberts:

Enclosed for filing in the above-captioned case is an original and fourteen (14) conformed copies of:

- Minutes of the Market Structure Work Group Meeting October 14, 1997;
- Minutes of the Market Structure Work Group Meeting October 28, 1997;
- Minutes of the Public Interest Protection Work Group Meeting October 15, 1997;
- Minutes of the Reliability Work Group Meeting September 23, 1997, and Report by the Southwest Power Pool;
- Minutes of the Reliability Work Group Meeting November 4, 1997; and
- Minutes of the Stranded Cost Work Group Meeting October 23, 1997.

This filing was mailed or hand-delivered this date to all Task Force Members.

Thank you for your attention to this matter.

Sincerely yours,

Dana K. Joyce  
General Counsel

(573) 751-8705

(573) 751-9285 (Fax)

DKJ:tmw

Enclosures

cc: Task Force Members

**MISSOURI PUBLIC SERVICE COMMISSION  
MARKET STRUCTURE/MARKET POWER  
WORKING GROUP  
OCTOBER 14, 1997 9:00 A.M.**

A meeting of the Market Structure/Market Power working group was held October 14, 1997, at 9:00 a.m., in Rooms 3 and 4, Capitol Building in Jefferson City. Members of the Working Group attending were:

Chair: Richard E. Malon, Water and Light Director, City of Columbia

Vice Chair: James D. Steffes - Competitor (Enron)

Staff Vice-Chair: Michael S. Proctor - PSC

Members from Task Force:

Vicki Aeschleman	-	Competitor (QST Energy)
Paul A. Agathen	-	IOU (UE)
Wayne Goode	-	Government (Senate)
Donald Shaw	-	Rural Electric Coop. (Central Electric)
Penny Tvrdik	-	IOU (UtiliCorp)

Members not from Task Force:

James M. Fischer	-	IOU (Attorney for KCPL)
Bill Guinther	-	Consumer/etc (Parkway School District, Chesterfield)
Bradley Lambert	-	Commercial Users (Independent Consultant)
Lewis R. Mills, Jr.	-	OPC
David K. Wallace	-	Industrial User (ICI Explosives)

Donna Schlosser sat in for Representative Carol Jean Mays - Government  
(House of Representatives)

Members absent were: Duncan E. Kincheloe, Carol Jean Mays and James H. Buford.

Chairman Malon called the meeting to order at 9:12 a.m.

Senator Wayne Goode noted that he was not at the September 22 meeting of the Working Group, but he did have a representative (Mr. Otto Fajen) there. The minutes reflect that Mr. Fajen was present at the September 22 meeting as a representative for Senator Goode.

With this addition, the minutes for September 22, 1997, were approved as submitted.

Chairman Malon reminded everyone that today was the last day for members of the working group to make presentations.

Lewis R. Mills, OPC, presented a couple of variations that aren't separate proposals, but would go with either KCPL's or Enron's proposal for direct customer access. The OPC proposal is meant to prevent or mitigate an unfair competitive advantage for the incumbent utility from its current market share. There are a couple of ways to do that, such as requiring divestiture of the generation assets of the incumbent utility. Another way is to prevent the same company from owning distribution and providing retail electric service. These proposals would also provide for multiple ownership of generation assets that currently are exclusively owned by the utility. Lewis stated that OPC wanted structures to prevent the same company from owning the generation and wires (transmission and distribution) company.

Mike Proctor stated: one item that none of the proposals have addressed is how to deal with customers that do not want choice. Senator Wayne Goode asked what California had done. Mike Proctor answered that they had basically done a divestiture of some of the generation assets of the investor-owned utilities, and the local distribution companies would buy at wholesale from a power pool. Customers that choose not to choose would take service from the local distribution companies. Paul Agathen wanted to know if this was for a certain period of time. Proctor said that initially there was a phase-in period for customers to have direct access but, recently, California decided to allow all customers direct access.

Richard Malon reminded everyone that their reports were due on the 20th. These proposals should be sent to Mike Proctor. We will be going through all the structures on October 28th to determine what we want to send to the task force. On October 21, Mike Proctor will distribute by fax and/or e-mail reports that come in.

Richard Malon recognized Maurice Brubaker of Brubaker & Associates, Inc. representing Missouri Industrial Energy Consumers. He distributed their presentation and introduced James Dauphinais, Missouri Industrial Energy Consumer, who gave the presentation. The presentation was a further explanation of the direct access with bi-lateral contracts model presented by Enron. Mr. Dauphinais had handouts that were distributed to the working group.

John Stuart, St. Joseph Light & Power Company, gave a presentation, which included handouts that were distributed to the working group. Their position is to offer retail choice to all consumers.

Richard Malon gave an overview of the presentation that he was to give to the full task force that afternoon. Copies of Mr. Malon's overheads were distributed to the working group.

Don Shaw requested a definition of distribution lines and transmission. Richard Malon stated that he assumed that transmission lines would be 69 kV and up.

Senator Goode once again addressed the question of who will serve less desirable customers, high risk, etc.

Missouri Industrial Energy Consumers and Enron will be combining their market structure proposal and forward to Mike Proctor for distribution.

The next two meetings are scheduled for October 28, 1997, starting at 9:00 a.m. in Hearing Rooms 3 & 4 in the Capitol and November 12, 1997, will start at 9:00 a.m., probably at the same location and go all day.

The meeting adjourned at 11:45 p.m.

Beverly D. Perkins  
Recorder



**MISSOURI PUBLIC SERVICE COMMISSION**  
**MARKET STRUCTURE/MARKET POWER WORKING GROUP**  
**OCTOBER 28, 1997 9:00 A.M.**

A meeting of the Market Structure/Market Power working group was held October 28, 1997, at 9:00 a.m., in Hearing Rooms 3 and 4 of the Capitol Building in Jefferson City. Members of the Working Group attending were:

Chair: Richard E. Malon, Water and Light Director, City of Columbia

Vice Chair: James D. Steffes - Competitor (Enron)

Staff Vice-Chair: Michael S. Proctor - PSC

Members from Task Force:

Paul A. Agathen	-	IOU (UE)
Wayne Goode	-	Government (Senate)
Carol Jean Mays	-	Government (House of Representatives)
Penny Tvrdik	-	IOU (UtiliCorp)

Members not from Task Force:

Bill Guinther	-	Consumer/etc (Parkway School District, Chesterfield)
Bradley Lambert	-	Commercial Users (Independent Consultant)
Lewis R. Mills, Jr.	-	OPC
David K. Wallace	-	Industrial User (ICI Explosives)

Substitutes

Burton Crawford sat in for James M. Fischer - IOU (Attorney for KCPL)

James Dauphinais sat in for James D. Steffes - Competitor (Enron)

Mark Newbold sat in for Donald Shaw - Rural Electric Coop. (Central Electric)

Members absent were: James D. Steffes, Vicki Aeschleman, James H. Buford, James M. Fischer, Donald Shaw, Duncan E. Kincheloe and David K. Wallace

Chairman Malon called the meeting to order at 9:02 a.m.

Opening Details

Mike Proctor distributed the following items: 1) combined report on three models under consideration from Mike Proctor; 2) Retail Electric Competition, the transmission and distribution of electricity from Mike Proctor; 3) Comments by UtiliCorp on proposed market structures; 4) Comments from St. Joseph Light & Power Company; 5) Question from Brad Lambert, Step Management, Inc.; 6) Comments by QST and the Missouri Industrial Energy Consumers on the Poolco Model Report; 7) OPC's comments regarding UE's Poolco Model Proposal.

Minutes for October 14, 1997, were held over for consideration at the next meeting. Two changes were noted as necessary. Chairman Malon asked if there were any other corrections that they be sent to Mike Proctor.

Chairman Malon stated that this meeting had a short agenda. Today the industry structures will be discussed, hopefully complete an analysis, and agree on what the ten-page report should look like. Then, each group that made the presentations will make modifications based on the discussions today and return the modified models back to Mike Proctor before November 5, 1997. On November 12, 1997, the working group will finalize the reports, have a short cover report ready to attach to the revised proposed structures and agree that it is ready to go to the full PSC Task Force as an outline of the three structures that we have under consideration. That would be the initial report to the full Task Force: here are the three structures being proposed; here is what they are; here are the issues and impacts.

### Areas of Agreement

Mike Proctor stated that the short paper he had passed out was an attempt by him to show the common areas where the three proposals were in agreement. Proctor stated that he had pulled out components dealing with generation, transmission and distribution and had used the KCPL writeup as the model. He said this was an attempt to have something to send to the other working groups that showed areas where this working group already was in agreement. Proctor asked the working group members to send him their comments on this handout. Senator Goode asked if Mike Proctor's intent with this handout was to make the information more neutral. Mike Proctor replied yes, that he was trying to get something that everybody could agree on showing how it would work regardless of which of the three proposals were used.

### Poolco Model

Richard Malon stated that discussions on the three models would begin with the Poolco model and recognized Paul Agathen. Paul Agathen, Union Electric, introduced Maureen Borkowski, Union Electric, who will help with issues pertaining to operations and reliability. Agathen wanted to make it clear that the general concept of the Poolco is what UE is advocating, but as far as the details, they are willing to listen and make changes. Agathen started with answering the staff questions, then went on to questions raised by others. Agathen stated that what they were proposing with the Poolco model is that Poolco would be purchasing and contracting for all of the generation (power needs) which will be needed by utilities in Missouri as opposed to the utilities contracting directly with the suppliers for the base load and their immediate portions of the block. There are two advantages for this. One, the larger the entity buying power the lower the cost. Second, for those utilities that have generation, if the distribution system should buy from the generation system there could be questions raised as to whether or not that was an arms length transaction. But if with bidding into a pool (an independent body) and the pool deciding who gets the bids with the distribution utility having no say at all in how much UE bids into the pool it

would eliminate questions about arms length transactions. Mike Proctor put forth a possible modification. Each utility would determine how much base load, intermediate load, and peaking it would want, convey that information to Poolco, then the Poolco would add those products up for all utilities, then bid them based upon what had been ordered. The Poolco can then set an average price for each load. The individual utilities could be responsible for their own forecasts and would determine how much to order. Whatever the utility had to make up would be the spot market.

Senator Goode asked Agathen how he envisioned the Poolco organized. Agathen answered, as an independent body with an independent board with no affiliation with generation or distribution. Probably not for profit. Senator Goode asked what was the incentive in this market to get the lowest possible cost of electricity. Agathen stated that Poolco would certainly have regulatory oversight by the Missouri Public Service Commission, or the FERC, on the operation of the Poolco. Maureen Borkowski stated that what this would open competition among the generation market and who ever has the lowest price gets the business. Malon noted that in the proposal that there was no requirement that the Missouri utilities must get into the Poolco; they are free to bid where ever they want. So it is conceivable that local generation would not bid into the Poolco and could bid some other state and vice versa. Agathen suggested that there might be a phase-in for a given number of years when the generating utilities must bid in. This would be a protection against disruption of the system.

Bill Guinther asked for an explanation because this situation sounded like price fixing to him. Agathen stated that electricity is a commodity, you bid against any other utility that has the commodity. With price fixing the anti-trust laws would apply. Malon stated that this is a market power issue because UE is suggesting to set up a commodity market for competitive purchases. Market Power by the buyer might result in a better price because of buying a larger quantity. Mr. Guinther also asked about the impact of a poolco model on low cost utilities - could it force them to charge more to their customers than they currently do? Mr. Agathan answered, yes.

Senator Goode stated that what he thought was missing out of this was a significant incentive for the Poolco to get the lowest possible cost. Malon asked what California did about the incentives. Proctor stated that they didn't have incentives for the Poolco, and that competitive bidding is where the incentive to bid the lowest price comes from. Senator Goode indicated that he thought that the incentives need to be closer to the management of public owned corporations where the incentive is bonuses for the employees if they meet certain cost goals.

Penny Tvrdek commented on the perverse incentive that the lower the price of electricity, the higher would be the stranded costs and that any kind of incentive would be linked to stranded costs. Malon noted there was another working group dealing with this issue.

Agathen distributed a handout written by Greg Nelson, manager of UE's tax department regarding "gross receipts taxes". He said that the Poolco Model is the only way to solve

that problem and it needs to be addressed because it impacts local governments all over the State. The working group had agreed that customer impacts needed to be listed in the models such as Senator Goode's express concern over the high risk, high cost customers and how that would be dealt with.

#### Hybrid Model

Burton Crawford, KCPL, addressed questions on the hybrid market structure summary. In answer to UE's question, if the LDC would be the provider for customers who opt to not choose, and does LDC have any obligation to build capacity for any other loads, Crawford answered - No; the LDC has no obligation to buy, build or plan for the load. This is strictly buying from the wholesale market. In answer to a question who will determine the price for power for those customers who do not choose, it would be procured from the power exchange. Planning reserves are left up to the market.

Borkowski's asked the question, what if there is not enough supply? Proctor, answered that the question probably applied to all models to some extent, the mechanism by which when the price gets too high certain customers have to start dropping off system or drop part of the load off the system. James Dauphinais stated that in their proposal (Model three not discussed yet) they had penalties if the REP could not deliver the power needed to meet its load forecast, which would be a driving force to build capacity. In the direct access model, the choose not to choose customer would be allocated among the REPs.

Brad Lambert asked about market clearing prices being location specific: Aren't we all feeding into a pool for power exchange, and would everyone gets same price? Crawford said: Yes, if there aren't any transmission constraints there would be a pool- wide price and anybody using the power exchange would get that price. The problem is that there are transmission constraints, and therefore there will be pricing differences.

Senator Goode asked why KCPL advocated this model? Crawford answered-because KCPL supports customer choice. It allows bi-lateral contracts, and option to sell into a power exchange. Senator Goode asked if KCPL believes that this is the best model for their stockholders? Crawford, yes, in the long term. In the short term they have the issue of stranded costs but this model allows KCPL to grow as a utility. Power exchange is a basic function done by the ISO in this model. Senator Goode wanted to know if the basic difference between Poolco and KCPL's model is that KCPL wants to be a bi-lateral provider? Crawford answered KCPL wanted to have that option.

Malon commented on Crawford's statement that "this gives you a opportunity to do business other places", under this concept KCPL has no obligation as a company to provide generation to their local customers - KCPL could sell to anyone, KCPL could decide to sell power on the west coast and let someone else provide for the local customer. Crawford answered, yes that is correct.



Agathen asked if the dispatching of the Must Run Units must be done by ISO? Crawford answered, yes. Borkowski stated-if the ISO serves as the control area then they are not only worried about the load that is in the ISO service territory but also the load in adjoining areas; because in the control area you dispatch generation, and if KCPL is selling power in California then the ISO has to dispatch and worry about those problems. This is complex problem; far more than just managing our state requirements.

Malon stated that St. Joseph Light & Power Company's concern regarding consumer service issues and unbundling could be answered later but he understood that KCPL's proposal opened up all customer service functions to competition. Crawford stated that KCPL was saying that this is an option, and a separate issue from their model.

#### Direct Access Model

James Dauphinais answered questions directed to the third structure, Direct Access, for Enron, Missouri Industrial Energy Consumers and QST. Brad Lambert questioned whether consumers would be able to subscribe to the services of a load aggregator. Did they envision this as stand-alone company? Will there be a middle man? Dauphinais said the intent was to give the consumer more purchasing power in the retail market. The penalty issue is going to be after the fact. Penalties would be applied for those who misjudged their schedules or for being caught short will encourage long term generation.

Bill Guinther asked about page 7 bullet Number 9. Malon stated, this is a very serious question about building transmission lines-that it seems to be taken very lightly by people that have never had to build a line in congested areas, anyone that is required to do it, given the option, will tell you they would just as soon do something else. How are you going to force someone to build a line? The design, right of way, legal battles, financing, etc. to build a transmission system is extensive and may really not be a direct benefit to you as a utility. Agathen asked if the utility had the right of eminent domain and if the utility is providing the liability for someone else? This may not be part of this work group's responsibility but somehow the Task Force will have to make a recommendation at the FERC level as to how these things are going to be structured and handled. Proctor stated that concerning the question of the high cost of building a transmission line, the Midwest ISO has dealt with this by prioritizing: 1) the utility whose control area the line is in has the option to build or not. If they choose not to; 2) Ask any other utility in the Midwest ISO if they want to build. If they decline, then 3) take the proposals for somebody on the outside to build. Malon stated that this is an important issue that has to be addressed --**Who builds transmission lines.**

Agathen questioned the standard offer concept. Dauphinais stated that a standard offer is a base offer and is a starting point for negotiations; individuals could negotiate for different offers. Each REP's standard offer could be different.

### Closing Details

Malon stated the purpose of all the questions and the comments that were brought up today (items such as penalties, etc.), were that these issues need to be addressed when the three presenters review and revised their report on their models even if it is only to say they choose to not address it. The models can have an attachment that says this is an issue that was brought up but we have chosen not to address in this particular structure. Proctor stated, the objective is to say -- this is an issue, and needs to be listed on each proposal. In the write ups these things have to be listed as a potential issue. These reports will have to be passed on to the Task Force, who will pass the information on to other working groups. These working groups will respond with comments back to us saying that here are some issues we think you need to include or issues we think should be address by our group.

Penny Tvrdik asked who would own the three models when they were complete. Malon answered that when the working group was done that the finished products would be a consensus of the working group and would belong with the working group. Our work group is currently working on draft documents which will go to other work groups for their feed back. Malon reminded everyone that the deadline to get information back to Mike Proctor is November 5, 1997.

It was decided to use UE's report format for all three structures and to have the issues listed together making them easier to find. Mike Proctor asked that all comments regarding the Transmission and Distribution document be back to him by November 5, 1997 at the same time the reports are due.

Next meeting is scheduled for November 12, 1997, starting at 9:00 a.m. in Hearing Rooms 3 & 4 in the Capitol to go all day.

The meeting adjourned at 12:10 p.m.

Beverly D. Perkins  
Recorder

EW-97-245  
ELECTRIC RETAIL COMPETITION TASK FORCE  
Public Interest Protection Working Group  
October 15, 1997

Minutes

Working Group members in attendance:	Jerry Harris	John Stuart
	Leland Cox	John Twitty
	James Tuscher	Martha Hogerty
	William Geary	Bob Housh
	Steve Jurek	Jackie Hutchinson
	Ivan Eames	Roy Cagle
	Dale Houdeshell	Debbie Bernsen
	Eve Lissik	

1. The meeting was called to order at 10:00 a.m.
2. Old Business

The minutes of the October 1 meeting were approved as written.

3. New Business

No changes were made to the agenda, but it was agreed that discussion of a time frame for development of the Public Interest Protection Work Group report to the full Task Force and its format needs to take place at a meeting in the near future. To assist in developing this report, Eve Lissik will provide copies of a Wisconsin report that the Task Force has previously agreed would be an acceptable format.

The group discussed the schedule for future meetings. It was agreed that the November 19 meeting would be moved to November 17 immediately following the full PSC Task Force meeting, thought to end at approximately 4:00. The work group will then meet for a couple of hours in a location to be announced. This meeting will be devoted to formulating comments on the Market Structure/Market Power Work Group report.

Other future meetings of Public Interest Work Group include:

- November 5 - 10:00 a.m., Truman Bldg., Room 750

- December 3 - 1:30 p.m., location to be announced, following the Keep Missourians Warm utility restructuring conference (final preparation of Market Structure comments)
- December 17 - 10:00 a.m., DNR-Division of Energy

Other meetings of interest:

- Stranded Costs Work Group - October 23 - 10:00 a.m., State Capitol (presentation by Eric Hirst, Oak Ridge National Laboratory)
- Market Structure/Market Power Work Group - October 28, 9:00 a.m., State Capitol, Hearing Rooms 3&4
- Full PSC Task Force meeting - November 17, 10:00 a.m., location to be announced (presentation of three market structure proposals)

The group discussed the Task Force meeting held on October 14. The draft report on the three proposed market structures will be issued by the Market Structure Work Group on November 12, with formal presentations of the three proposals to the full Task Force at its meeting on November 17, followed by a Q&A session. The Public Interest Work Group members are encouraged to read the report prior to the November 17 presentations and to review the guidelines and principles in order to identify which ones are dependent on market structure. Written comments are due to the Market Structure Work Group by December 5. The comments should focus on errors, omissions, unanswered questions, etc., within each of the proposals. In addition, the work groups should include in their comments discussion of how each of the proposals would conform to the thoughts and discussions currently taking place in the respective work groups. This first-round of comments is not intended to be used to advocate any one of the particular structures.

The group was asked to think about questions and areas of interest that need to be included in the DOE regional restructuring survey that is currently being developed. Discussion will continue at the next meeting.

Ivan Eames distributed language from the Consumer Research Foundation that he asked be considered by the work group as they continue to formulate a definition of "universal service."

### **Subcommittee Reports**

Universal Service, Consumer Protection, Right to Privacy. Martha Hogerty, Chair, reported that this group is developing a list of options regarding universal service, with a specific focus on high cost, low-income consumers. They will be formulating draft models and



approaches to be distributed to all members of the work group. If anyone has additional information regarding universal service that they would like the subcommittee to consider, forward it to Martha.

Ivan Eames suggested that the state should act as aggregator for purchasing power for state facilities and as administrator of LIHEAP, negotiate to get the best deal for low-income consumers. Some members stated that this would drive up the state's costs for power. Mr. Eames also distributed information from the state of Pennsylvania on restructuring legislation they have passed recently, and how it affects the operation of their LIHEAP program. He noted that it is important to include measurable indicators in any legislation that is enacted.

Consumer Choice, Shared Benefits. Leland Cox, Chair, reported that this subcommittee is probably most affected by market structure. They have discussed the phase-in vs. flash-cut options, whereby the large industrials would be brought in first, followed by the small commercials, then the residential. Other issues they are discussing include the importance of consumer education; the need for a minimum level of call centers; network meter reading as a prerequisite to competition; minimum standards for credit and collection procedures; and reporting environmental emissions to consumers on a regular basis (green power). Mr. Eames stated that life-cycle costs should be shown on the consumer's bill. All agreed that much more discussion is needed in this area. NOTE: Roy Cagle was named as an additional member of this subcommittee. John Stuart moved to the consumer choice subcommittee.

Public Benefits, Environment. Cher Stuewe-Portnoff, Chair. This full subcommittee has not met to date, but is planning a conference call within the next couple of weeks.

Network Integrity. No report at this time.

4. The meeting adjourned at 12:00 noon.

**Reliability Working Group  
September 23, 1997  
Minutes**

Chairman Bob Fancher called the Reliability Working Group meeting together at 10:07 a.m. on Tuesday, September 23 in Room 850 of the Harry S. Truman Office Building, Jefferson City, Missouri.

Working Group members present: Fancher, Watkins, Annis, Borkowski, Giljum, Lehman, Miller, Morrow, Peterson, Ray, Kirk, and Dennis Wright representing Fulks.

Working Group members absent: Albrecht, Carico, Zurheide.

Minutes of the September 2, 1997, meeting of the Reliability Working Group were approved.

Mr. Earnest Lehman introduced Bill Phillips and Tom Malinger of the Southwest Power Pool. They presented a program on the progress and changes to SPP in their efforts to become an Independent System Operator. (Handout Attached for filing)

Mr. Mike Proctor, PSC staff, gave an update on the progress of the Market Structure/Market Power Working Group.

The Reliability Working Group agreed to attend the next meeting of the Market Structure/Market Power Working Group on October 14. A representative of Brubaker & Associates will make a market structure presentation from the "Industrials" perspective. The Office of Public Counsel will also make a presentation.

The next meeting of the Reliability Working Group was scheduled for November 4.

The Working Group adjourned at 1:10 p.m.

approved 11/04/97



# Maintaining the Balance Between Reliability & Economic/Equity Issues

*Reliability Working Group of the  
Missouri PSC's Retail Wheeling TF*

September 23, 1997

# Southwest Power Pool, Inc.

- Formed in 1941 to serve large war related load in Arkansas (oldest NERC region)
- Working together to manage the interconnected / interdependent system
- Coordinates, promotes and communicates about all aspects of system reliability
- Maintaining the balance between reliability and economic / equity issues





# SPP Statistics

- 72 Members
  - 18 Investor Owned
  - 11 Cooperatives
  - 11 Municipals
  - 4 State and Federal Agencies
  - 3 Wholesale Generators
  - 25 Power Marketers
- Incorporated in 1994 (Independent)



# SPP Statistics

- 21 Load Control Areas
- All or parts of eight states (>500,000 sq mi)
- 25 million people - 6.6 M customers
- 60,000 MW peak demand
- 300,000 GWh annual energy
- 69,000 MW generation capacity



# SPP Organizational Structure

- 17 person Board(1/2 provider-1/2 customer)
- Over 400 'experts' in organization
- 40 person staff in Little Rock, AR
- \$6.5 million annual budget



# Recent ISO Actions

- Board requests issue paper 1/24
- Board creates ISOTF 3/21
- ISOTF meets 5/9
- ISOTF interim report to Board 5/16
- *Summer Conference 97 Workshop* 6/26-27
- Major functions identified by ISOTF





# Scheduled ISO Activities

- ISOTF meeting 9/19
- Technical Conference 10/2-3
- Report to Board & Members 11/11-12
- Filing ????



# ISO Benefits

- Facilitates competitive energy market
- Eases market power issue
- Eases process of scheduling transmission and energy services
- Necessary for implementation of retail access



# Preferred ISO Characteristics

- Extension of SPP organization
- Facilitate/coordinate planning (not perform)
- No construction of facilities
- Authoritative control (not physical)
- Not a single load control area
- Provide network & p-p transmission service
- Not a sole source of ancillary services



# Major ISO Components

- Security Coordination
- Regional Transmission Service



# Benefits of Regional Transmission Pricing

- Replaces contract path & provides mechanism to compensate for parallel flow
- Addresses rights to interconnection capability
- Facilitates regional planning to promote reliability & efficient expansion
- Provides common terms and conditions



# Recent Pricing Action

- Board approves resolution to develop method at 1/24/97 called meeting
- Board agrees on correct direction at 3/21 called meeting
- PMTF meeting on 4/8-9/97 to fine-tune
- EOC generally concurs on 4/30
- Board approves implementation plan at regular meeting 5/16





# Recent Pricing Action

- RPWG finalized tariff for Board consideration
- Staffing & implementation began 5/23
- Tariff to Board & EOC on 8/1
- Called Board meetings 8/29 & 10/2 to negotiate tariff details



# Pricing Characteristics

- Regional PTP service, no network service
- Transactional Vector Absolute MW-Mile
- Applies to new service - existing grandfathered
- Cost data annually / Impacts semi-annually
- Applied to all service to, from, or over member's systems



# Pricing Characteristics

- Cost based on pool ave./voltage level
- Facilities included in individual TP rates
- Appalachian method for time/interval rates
- Admin. costs recovered by transaction fee not to exceed \$0.15/MWh (60% of budget)
- Umbrella service agreement for short term
- Requires redispatch w/ AND pricing



# Pricing Characteristics

- Flexible firm service for secondary market
- Easy access through waiver of existing duplicate regional responsibilities
- Accounts for imputing of individual TP use
- Provides compensation for reactive support
- Penalties for non-compliance



# SPP Coordination Center

- Located in Little Rock
- One of 22 NERC Security Coordination Centers
- Provides around-the-clock coordination of normal and emergency operating conditions to secure the reliability of the bulk electric system





# SPP Coordination Center

- Responsible for security functions described in SPP Criteria
- Will administer the regional transmission service tariff
- Policy oversight of implementation provided by Security Working Group



# SPP Coordination Center Staffing

- Manned 24 hours, 7 days a week with SPP Certified Coordinators
- All Coordinators are experienced operators from member systems
- Will have 7 Coordinators and a Supervisor to perform the security function
- Will add 8 Coordinators and another Supervisor for the regional tariff



# Security Function

- Installing an Energy Management System sized to accommodate all SPP systems
- Uses SPP information received through SPPNet and adjoining region information received through Inter-regional Security Network
- All security information is confidential and only released to signatories of the Confidentiality Agreement
- Monitoring capability, no control capability



# Security Function

- Review current day and next day conditions
- When adverse conditions are found, advise affected system(s) to develop an appropriate response
- Response can include voluntary actions or a request for Line Loading Relief
- Review and grant permission for transmission equipment scheduled maintenance



# Line Loading Relief (LLR)

- Initiated by control areas or Security Coordinator
- Implemented using both SPP Criteria and NERC Procedure
- Gives Coordinator authority to curtail transactions contributing to loading problems
- Coordinators review LLR requests (verify valid problems and appropriate relief requested)





# NERC LLR Procedures

- “Share the Pain” approach
- Coordinators can request assistance from adjoining regions
- Automated systems being put in place to provide a speedy and equitable response
- Allows voluntary measures prior to requesting LLR but no compensation for redispatch



# Redispatch

- Used as an alternative to curtailing non-firm transactions during LLR
- More effective approach but compensation must be addressed to be equitable
- SPP Commercial Practices Subcommittee to address redispatch issue
- Asked to develop something quickly to reduce impacts on commerce when LLR requested



# Regional Transmission Service Tariff

- Coordination Center administers regional tariff
- Post ATC for regional tariff
- Approve/deny requests for transmission service
- Scheduling performed between control areas
- Actual schedules used to determine MW-mile charge and loss repayment



# OASIS Automation

- An automatic process that responds to transmission service requests and updates ATC on OASIS
- Developed jointly by SPP and ESCA
- Uses a flow based approach to evaluate requests
- Considers parallel path effects of flows from adjoining regions



# Additional Functionality Under ISO

- Redispatch process must be available
- Coordinate regional transmission planning
- Administer network service tariff





# Alternatives for Electric Commodity Transactions

- ISO not necessarily involved with the buying and selling of bulk power.
- ISO is concerned with the safe and reliable movement of bulk power on the grid.
- There must be close coordination between an ISO and any Power Exchange (PX).
- But the ISO and PX are two separate functions.



# ISO / PX Models

- POOLCO - Combines the ISO reliability functions with a market clearinghouse for energy and ancillary services.
- Separate ISO and PX - Usually involves a supplier bidding process with bid prices and generator merit orders provided to the ISO.
- Bilateral Market - No spot market pricing pool. Power is exchanged through bilateral agreements.



# POOLCO Model

- Market Clearing Price would be established by the pool.
- Transactions are accommodated on an economic dispatch basis.
- Transmission constraints are resolved on a least cost basis.
- Examples: PJM & NYPP



# Separate ISO and PX

- The PX serves as a market clearinghouse for energy and services through a supplier bidding process.
- Merit order generator dispatch is based on bid prices and electricity demand.
- The ISO relieves transmission constraints and accommodates transactions through merit order dispatch.
- Example: California



# Bilateral Market

- No Spot Market pricing pool.
- Power is exchanged through bilateral contracts between suppliers and purchasers.
- ISO does not have access price bids as the basis for reconciling transmission constraints.
- Not likely to result in least cost solutions.



# Reliability Concerns about Implementation of Retail Access

- Maintain the proper balance between reliability and economic/equity issues
- Highly interconnected & interdependent nature of multi-state electric system  
REQUIRES that increased competition be accompanied by increased cooperation & coordination



# Reliability Concerns about Implementation of Retail Access

- Those who provide interconnected operation services must not be put at a competitive disadvantage in the market
- Choices of one customer must not impair service to others
- A MANAGED transition requires time to effectively implement







*Lighting the Past...*  
*Powering the*  
*Future.*

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# Capacity Margin Requirement History

- Deterministic criteria approved in 1981
- 18% Reserve Margin (forced outages 16%, limitations 5%, hot summer 3%, diversity credit -2%, outside help -4%)
- 15.25%, or probabilistic study (LOLE no greater than 1 day in 10 years) for 13%
- 9% for hydro based systems



# Generation Adequacy Assessment

- 1987 - 29.3%, 1992 - 23.1%, 1997 - 14.9%
- Regional probabilistic studies indicate 10% margin adequate for 1 day in 10 year loss of load expectation
- Operating conditions marginal at best with high incremental cost



# Capacity Margin Requirement

## Reasons for Change

- Cost to meet demand growth increased sharply in past years
- Changes in other industries toward market solutions pressured a competitive approach to responding to increasing cost
- Commoditization of electricity
- Competition created non-traditional players
- Competition produced technological developments which reduced capacity cost



# Capacity Margin Requirement Future

- Market (customer) determination of margin
- Evolutionary approach needed to bridge transition from regulation to deregulation due to existing commitments
- Transitional penalties for non-compliance to maintain equity
- Operating reserve requirements to be strengthened



# Capacity Margin Requirement New Basis

- Specific definitions, seasonal, not annual
- Load Serving Entities, not Control Areas
- Regional determination allocated to LSEs based on generation characteristics
- Based on deterministic and probabilistic methods
- Equalization mechanism for compensation of non-compliance



**Southwest Power Pool  
Independent System Operator Task Force**

**Roster**

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**Southwest Power Pool  
INDEPENDENT SYSTEM OPERATOR TASK FORCE  
May 9, 1997 Meeting Minutes  
Dallas/Ft. Worth Airport Hilton Hotel**

**Agenda Item 1 - Call to Order, Introductions**

The Independent System Operator Task Force (ISOTF) meeting was called to order at 8:11 a.m. by Co-Chairs Dick Ingersoll (Dick) and Bob Zemanek (Bob). John Marschewski (John) served as facilitator for the meeting. Because several guests were in attendance, John asked for a round of introductions. ISOTF members in attendance included:

Transmission Providers

Robert Zemanek, CESW (Co-Chair)  
Andy Vesey, ENTR  
Les Morgan, WERE  
Mel Perkins, OKGE  
Jim McNabb, AECI

Transmission Customers

Richard Ingersoll, ENRON (Co-Chair)  
David Christiano, SPRM  
Paula Rosput, PanEnergy  
Marvin Carraway, CLWL  
Ricky Bittle, AREC

John Marschewski, SPP (Facilitator)

Guests present included Nick Brown (SPP), Dick Dixon (WERE), Dennis Constien (OCC), and Mark Oligschlaeger (MOPSC).

**Agenda Item 2 - Background**

John referred to the meeting agenda and asked if there were any suggested modifications. Dick asked that as part of reviewing the scope that the group list reasons for the formation of an ISO. John then reviewed the background document distributed to the Board of Directors and the ISOTF with meeting materials (Background Document - Attachment 1). John then distributed a May 7, 1997 document prepared by SPP's counsel, Mike Small, updating information in his February 21, 1997 report on other ISO efforts around the country (ISO Update - Attachment 2).

**Agenda Item 3 - Review Scope**

The charge to the ISOTF is to develop an ISO implementation plan for consideration at the November 1997 Board of Directors meeting. The task force is to use an open and independent process and hold a public workshop at SPP's *Summer Conference 97*. Andy Vesey stated his concern that the process of creating the plan may be more important than the plan itself. He questioned the level of "independence" that would be perceived by interested parties in a process directed by the SPP ISOTF. Everyone agreed that an open process was paramount to achieving a successful product culminating in FERC acceptance.

John then asked the group to list benefits of an ISO to provide reasons for formation. Due to the highly interconnected (and as such highly interdependent) nature of the electric energy business, and the reluctance to asset divestiture, the following ISO

## **SPP ISOTF Minutes**

### **5/9/97 Meeting**

benefits were stated:

- Facilitates a competitive energy market
- Relieves obligation to separate generation and transmission business units functions
- Eases the business process of scheduling transmission and energy services
- Necessary for implementation of retail access without asset divestiture
- Provides for common provision of ancillary services in an equitable manner
- Resolves market power issues
- Eliminates federal role in resolution of disputes
- Provides needed independent coordination between the non-regulated generation business and the regulated transmission business through more open communication
- Protects reliability in a least-cost and equitable way
- Facilitates mergers
- Provides for needed interregional coordination
- Provides for needed central coordinated planning
- Maximizes use of limited (constrained) delivery system resource in an equitable way
- Regional approach discourages sub-regional ISO formation

#### **Agenda Item 4 - Task Force Make-Up**

The Board of Directors had agreed to invite participation from non-member constituencies including environmental, industrial, regulatory and labor. Several contacts have been made and ISOTF members will be added as interest and willingness match proper balance and a manageable group size.

#### **Agenda Item 5 - Discussion of Issues**

Because of the diversity in approaches and definitions of what an ISO is and does, John then asked the group to list functionality (services) that an acceptable ISO should provide to its customers. The following functions were stated:

- Provides open and non-discriminatory access to transmission (point-to-point & network)
- Provides the market needed information on the transmission (transportation) system
- Provides a common business settlement process
- Eliminates transmission constraints and prices congestion
- Protects operational security through authoritative and/or physical facility control
- Single source for ancillary services
- Provides for reliability planning
- Coordinates construction of new facilities
- Maximizes use of transmission and generation
- Provides customer interests of a) lower cost, b) better service reliability, c) supplier and product choice, and d) ease of product use

## **SPP ISOTF Minutes**

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- Tariff referee

To provide focus to the ISO development process, John asked the group to list critical issues that must be properly managed in creating, implementing and operating an ISO. The following critical issues were stated:

- The creation process
- Transmission cost recovery
- Governance
- Participants
- Appropriate size
- Scope of functions and authority (minimum vs. maximum)
- Retail access facilitation
- Implementation timing approach (How quick, evolutionary vs. revolutionary)
- Promotion of market efficiency
- Response if SPP does not move ahead with ISO development
- Pricing starting point
- Equability
- Cost shifting
- Interface with the generation market
- Interface between operational, commercial and administrative process
- Unification of retail regulation
- Maintenance of reliable and secure system through transition
- Balance between owners and users

### **Agenda Item 6 - Summer Conference 97 Workshop Format**

Nick Brown stated that notice of *Summer Conference 97* had been distributed in SPP's March 1997 *Highlights* newsletter to nearly 400 entities. A reminder notice was distributed last week for the meeting to be held on June 26-27 at the Le Meridien Hotel in New Orleans. Nick stated that the agenda was arranged to accommodate discussion of four or five major ISO topics during the two, half day sessions. The intent of the workshop is to inform and seek comments from all interested parties in the creation of an ISO for SPP members. The group then reviewed the above critical issues list and grouped the items into major categories for discussion sessions. Upon completion of this task, a transmission provider and transmission customer ISOTF member volunteered to work jointly on designing the discussion session to draw out comments and questions.

- Benefits for Participants - What's In This For You  
(Facilitated by Bob Zemanek and Dick Ingersoll)
- ISO Creation/Evolution Process - How To Get From Here To There  
(Facilitated by Ricky Bittle and Jim McNabb)
- Operational Necessities - How To Keep Things Working Reliably  
(Facilitated by Andy Vesey and David Christiano)

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- Responding To The Market - How To Ensure Commercial Viability  
(Facilitated by Paula Rosput and Mel Perkins)
- Administrative Issues - Determining Who's in Charge & Who Pays  
(Facilitated by Les Morgan and Marvin Carraway)

**Agenda Item 7 - Assignments**

John then reviewed the following assignments:

- Nick Brown will distribute meeting minutes via email on Monday, May 12.
- ISOTF members will notify Nick Brown of their discussion session design by Friday, May 23 for workshop program development.
- Nick Brown will set up an ISOTF FTP sight on SPP's Internet homepage for posting of all related materials and written comments.
- Dennis Constien and Mark Oligschlaeger will notify Nick Brown or the discussion session facilitators of workshop areas that they would be interested in participating.

**Agenda Item 8 - Future Meetings**

The ISOTF agreed to a next meeting following *Summer Conference 97* on Wednesday, July 16, 1997 at the D/FW Airport Hyatt Hotel from 10 a.m until 4 p.m.

**Agenda Item 9 - Adjournment**

With no further business, Bob and Dick adjourned the meeting at 11:42 a.m.

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Nicholas A. Brown, Secretary

**Southwest Power Pool  
May 16, 1997 Board of Directors Meeting**

**Independent System Operator Deliberation**

**Background**

During deliberation of Docket No. RM95-8-000, "Promoting Wholesale Competition Through Open Access Non-discriminatory Transmission Services by Public Utilities," the FERC held a technical conference in consideration of Independent System Operators (ISOs). This ISO concept is seen as a method to address full competition and comply with open access and comparability requirements in administering regional transmission service. ISOs are also intended to alleviate market power without utility divestiture of transmission assets. In its related Order 888, the FERC did not require any utility to form an ISO, but encouraged creation of such entities and established principles to provide some guidance. The SPP Board of Directors asked the Staff to research benefits and formation alternatives of an ISO for members. The Staff met with a small advisory group of SPP representatives to explore a process of moving forward on the ISO issue and prepare this report. Members of this group are Dick Ingersoll, Jim McNabb, Andy Vesey, Dave Christiano, Mel Perkins, and Mike Small.

In addition to FERC's strong encouragement for ISO formation, several other forces are encouraging or requiring ISOs. In a Missouri Public Utility Commission order concerning the Union Electric merger, ISO membership was required. Missouri commission staff have indicated that the same requirement would be applied to the proposed merger of SPP members Western Resources and Kansas City Power & Light. Other state commissions with jurisdiction over SPP members have indicated interest in requiring ISO membership on open proceedings. An Oklahoma state representative is considering legislation requiring creation of a state ISO. The Department of Justice is also fond of ISO structures to alleviate anti-trust issues.

To understand ISO requirements, the Staff prepared a matrix (attached) indicating how the current and proposed SPP organization complies with FERC's principles.

The Staff believes ISO formation is inevitable. Because of similar functionality between an ISO and the existing SPP organization, there are very few changes incrementally required for SPP to meet FERC's ISO principles:

1. Filing and implementing the proposed regional transmission pricing plan with accompanying modifications to SPP Bylaws further opening membership, adjusting cost allocation, and adding a regional planning process. Strengthening Staff standards of conduct must also occur.
2. Governance changes would require modifying the structure of the Board of Directors and removal of weighted voting procedures.



Several ISO proposals contain functionality which Staff believes go beyond minimal requirements.

1. It is not clear whether regional network service is required, though Staff does not favor network service provided over the geographic expanse of SPP.
2. It is not clear whether physical facility control is required, though Staff does not favor transferring physical facility control to a single regional facility.
3. It is not clear whether a single control area is required, though Staff does not favor a single control area approach.

At the March 21, 1997 called meeting, the Board of Directors approved Staff recommendations to move deliberations forward with the following steps:

1. The Staff recommends creation of a Board of Directors task force to develop an ISO implementation plan for consideration at the November 1997 Board of Directors meeting.
2. The Staff recommends that the task force use an open and independent process (possibly facilitated by the American National Standards Institute) and that a related workshop be held in conjunction with SPP's *Summer Conference 97*.
3. The Staff recommends that the task force invite participation from non-member constituencies including environmental, industrial, regulatory and labor.

Though the Staff also recommended modification of the existing SPP organization to provide the ISO, the Board of Directors chose to allow this type of recommendation to come out of the deliberative process if appropriate.

### Recent Activity

The Chair has appointed the initial task force. This task force consists of 10 members and the President of Southwest Power Pool. It is equally divided between Transmission Providers and Transmission Customers. The members of the Task Force are:

#### Transmission Providers

Robert Zemanek, IOU (Co-Chair)  
Andy Vesey, IOU  
Les Morgan, IOU  
Mel Perkins, IOU  
Jim McNabb, Coop  
John Marschewski, Southwest Power Pool (Facilitator)

#### Transmission Customers

Richard Ingersoll, Marketer (Co-Chair)  
David Christiano, Municipal  
Paula Rosput, Marketer  
Marvin Carraway, Municipal  
Ricky Bittle, Coop

An initial meeting of the group is set for May 9, 1997 at the DFW Airport Hilton from 8 a.m. until noon. Co-chairs Richard Ingersoll and Bob Zemanek will update the Board of Directors on the actions from that meeting.

**5/16/97 SPP Board Meeting**

**ISO Deliberation**



## Southwest Power Pool Independent System Operator Proposal

FERC ISO Principle	Existing SPP Organization	Approved Security Functions Implemented	Proposed Regional Transmission Pricing Implemented
1. The ISO's governance should be structured in a fair and non-discriminatory manner.	Weighted voting and funding creates a dominance of influence within a very few members.	No change from existing organization.	SPP will modify cost recovery to collect revenues through a transaction fee to remove financial influence.
2. An ISO and its employees should have no financial interest in the economic performance of any power market participant. An ISO should adopt and enforce strict conflict of interest standards.	Staff severed fiscal agent ties with AP&L in 1996 creating independent administration.	Employees will sign standards of conduct protecting confidentiality of market sensitive security data.	SPP will prohibit employee financial interest in a member through increasingly strict standards of conduct.
3. An ISO should provide open access to the transmission system and all services under its control at non-pancaked rates pursuant to a single, unbundled, grid-wide tariff that applies to all eligible users in a non-discriminatory manner.	SPP has no responsibilities for transmission service.	No change from existing organization.	SPP will administer regional point-to-point transmission service. No network service will be provided under the SPP tariff.

March 14, 1997

## Southwest Power Pool Independent System Operator Proposal

FERC ISO Principle	Existing SPP Organization	Approved Security Functions Implemented	Proposed Regional Transmission Pricing Implemented
4. An ISO should have the primary responsibility in ensuring short-term reliability of grid operations. Its role in this responsibility should be well-defined and comply with applicable standards set by NERC and the regional reliability council.	SPP has not had any direct role for short-term operational reliability.	SPP will implement security coordination responsibilities on or before October 1, 1997, thereby fully meeting this requirement.	No change from approved security function implementation.
5. An ISO should have control over the operation of interconnected transmission facilities within its region.	SPP has not had any operational control over transmission facilities.	SPP will have operational authority for service provision, facility clearances and line loading relief.	SPP will not physically control transmission facilities.
6. An ISO should identify constraints on the system and be able to take operational actions to relieve those constraints within the trading rules established by the governing body. These rules should promote efficient trading.	SPP has not had any responsibility for contingency analysis in the operational time-frame, nor authority for optimizing transmission capability.	SPP will have responsibility for contingency analysis and determination of transmission capability. Ability will exist for calculating steps to optimize transmission capability.	SPP will have re-dispatch authority.

March 14, 1997

## Southwest Power Pool Independent System Operator Proposal

FERC ISO Principle	Existing SPP Organization	Approved Security Functions Implemented	Proposed Regional Transmission Pricing Implemented
7. The ISO should have appropriate incentives for efficient management and administration and should procure the services needed for such management and administration in an open competitive market.	SPP currently has incentives for efficient management and administration.	No change from existing organization.	No change from existing organization.
8. An ISO's transmission and ancillary services pricing policies should promote the efficient use of and investment in generation, transmission, and consumption. An ISO or an RTG of which the ISO is a member should conduct such studies as may be necessary to identify operational problems or appropriate expansions.	SPP has not had an active role in transmission planning.	SPP will identify transmission constraints.	SPP will be obligated to cause construction of needed facilities through a regional planning process.

March 14, 1997

## Southwest Power Pool Independent System Operator Proposal

FERC ISO Principle	Existing SPP Organization	Approved Security Functions Implemented	Proposed Regional Transmission Pricing Implemented
9. An ISO should make transmission system information publicly available on a timely basis via an electronic information network consistent with the Commission's requirements.	SPP currently operates an OASIS node consistent with FERC requirements.	No change from existing organization.	No change from existing organization.
10. An ISO should develop mechanisms to coordinate with neighboring control areas.	SPP has had no responsibility for operational coordination.	SPP will coordinate all operational activities with neighboring security coordinators.	No change from approved security function implementation.
11. An ISO should establish an ADR process to resolve disputes in the first instance.	SPP currently has an ADR process.	No change from existing organization.	SPP will complement its ADR process with procedures in the FERC pro forma tariff.

March 14, 1997

**Southwest Power Pool  
INDEPENDENT SYSTEM OPERATOR TASK FORCE  
July 16, 1997 Meeting Minutes  
Dallas/Ft. Worth Airport Hilton Hotel**

**Agenda Item 1 - Call to Order**

The Independent System Operator Task Force (ISOTF) meeting was called to order at 9:57 a.m. by Co-Chairs Dick Ingersoll (Dick) and Bob Zemanek (Bob). John Marschewski (John) served as facilitator for the meeting. ISOTF members in attendance included:

Transmission Providers

Robert Zemanek, CESW (Co-Chair)  
David Christiano, SPRM  
Tom Littleton for Paula Rosput, PanEnergy  
Marvin Carraway, CLWL

Transmission Customers

Richard Ingersoll, ENRON (Co-Chair)  
Ricky Bittle, AREC  
Mel Perkins, OKGE  
Jim McNabb, AECI

John Marschewski, SPP (Facilitator)

Guests present included Nick Brown (SPP), Dennis Constien (OCC), and Mark Oligschlaeger (MOPSC). Les Morgan (WERE) and Andy Vesey (ENTR) were unable to attend.

**Agenda Item 3 - Review & Discuss *Summer Conference 97* Summary**

Bob and Dick led discussion of *Summer Conference 97* results. Nick reported that nearly 150 people attended. Participants included representatives from 44 of SPP's 70 members; 17 of 18 investor-owned, 6 of 11 cooperatives, 5 of 11 municipals, 2 of 4 state and federal agencies, 1 of 3 independent power producers and 13 of 23 power marketers. Also represented at the conference were 6 of 9 regulatory jurisdictions, 4 non-members, 5 other regional councils and NERC.

Throughout the workshop, consensus was facilitated on several key areas giving direction to the ISO development effort. Areas where significant agreement (over 95%) was expressed. During discussion, the ISOTF concurred with these consensus items with clarification shown in brackets [ ]:

- The SPP organization should be the foundation for ISO development. [There is still no consensus within the ISOTF on this issue.]
- The process being used to develop the ISO implementation plan is appropriate.
- The ISO should facilitate and coordinate the performance of regional transmission planning with transmission providers, under consistent criteria.
- The ISO should not be involved in the construction of transmission facilities[, but should have the authority to cause or discourage construction under specified conditions.]
- The ISO should have jurisdictional authority (not physical function) control over transmission facilities.
- The ISO should not become a single Control Area.
- The ISO should provide both point-to-point and network regional transmission

## **SPP ISOTF Minutes**

### **7/16/97 Meeting**

services.

- The ISO should not be the only source for all ancillary services.
- The ISO should not attempt to provide a forum for unified retail regulation.
- On a scale of 1 to 5 in functionality and implementation cost, the ISO for SPP members should fall between 1 and 3.

A slight majority of attendees believed the ISO would relieve member obligation to separate generation and transmission functions. Half of the group believed regional network service was necessary for a properly functioning ISO. Approximately 2/3 felt that approval of the implementation plan should be sought under the voting procedures proposed for the ISO.

#### **Agenda Item 4 & 5 - ISO Functionality & Plan Development Schedule**

The ISOTF brainstormed fundamental functions that an ISO should perform. The following transmission related items were agreed to:

- Planning (forecast capabilities and solutions to needs, cause proper construction and discourage inappropriate construction under common and specific criteria)
- Security (monitoring and identification of constraints, Interregional Security Network, maintenance scheduling, interregional coordination, Line Loading Relief)
- Organizational Administration (governance structure and voting, dispute resolution, compliance monitoring with penalties, certification, liability and indemnification)
- Tariff Administration (scheduling, ancillary services, accounting, OASIS and ATC, transaction tagging)

No consensus was reached on ISO involvement in an energy exchange market. Each of these functional areas were assigned to Staff or SPP organizational groups for drafting a strawman implementation plan for ISOTF review.

#### **Agenda Item 6 - Budget Development**

This item was deferred until a later meeting.

#### **Agenda Item 7 - ISO Technical Conference**

The ISOTF agreed to hold a technical conference on the implementation plan to seek input and feedback from ALL interested parties. The ISOTF asked the Staff to ensure that very broad invitation was made to ALL stake-holders for this conference. The conference will be held October 2-3 at the Hilton Riverside in New Orleans, LA.

#### **Agenda Item 8 - Assignments**

John then reviewed the following assignments:

- Nick Brown will distribute meeting minutes via email.
- Nick Brown will distribute the draft planning procedures for ISOTF review and comment and, based on this input, edit the initial draft for ISOTF inclusion in the



**SPP ISOTF Minutes**  
**7/16/97 Meeting**

- implementation plan.
- The Security Working Group will be asked to review current security processes for completeness meeting ISO functionality.
- The Regional Pricing Working Group will be asked to propose a plan for regional network transmission service.
- John Marschewski will develop strawman Bylaws modification on necessary administrative processes for at least one ISOTF review prior to the next meeting.

**Agenda Item 9 - Future Meetings**

The ISOTF agreed to a next meeting on Friday, September 19, 1997 at the D/FW Airport Hyatt Hotel from 9:30 a.m until 4 p.m.

**Agenda Item 2 - Approval of 5/9/97 Meeting Minutes**

Bob referred to the minutes of the May 9, 1997 meeting which were distributed via email on May 12. Mel Perkins motioned and Marvin Carraway seconded that the minutes be approved as distributed. This motion passed unopposed.

**Agenda Item 10 - Adjournment**

The Board of Directors had agreed to invite participation from non-member constituencies including environmental, industrial, regulatory and labor. To date, no specific additional members have been identified. Most agreed that a plan needs to be put on the table for consideration before interest by end-use customers will rise. This is an expected outcome of the technical conference and the Staff will work specifically with retail regulatory jurisdictions on making contact with these entities.

With no further business, Bob and Dick adjourned the meeting at 2:47 p.m.

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Nicholas A. Brown, Secretary



**Reliability Working Group**  
**Minutes of November 4, 1997 Meeting**

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Chairman Bob Fancher convened the Reliability Working Group at 9:10 a.m. on Tuesday, November 4.

Working Group members present: Chair Bob Fancher, Staff Vice-Chair James Watkins, Mike Annis, Maureen Borkowski, Kathleen Carico, Gary Fulks, Don Giljum, Brian Kirk, George Morrow, Gene Peterson, and Bill Ray.

Working Group members absent: Earnest Lehman, Marilyn Miller and Charles Zurheide.

The minutes of the September 23 meeting of the Reliability Working Group were approved. Chair Fancher announced he had received confirmation that Chris Albrecht resigned from the Working Group.

The Reliability Working Group has until December 5, 1997 to make comments in response to the Market Structure report that will be presented to the full PSC Task Force on November 17. The Working Group plans to meet next on November 17, following the full task force meeting, and continue to work on comments via fax, e-mail, etc. A meeting was not set prior to the December 5 deadline.

Chair Fancher divided the Working Group in two subgroups to analyze the various reliability issues relevant to a Full Bilateral Contract Model and a POOLCO Model:

**Bilateral Contract Model**

George Morrow, Chair  
Brian Kirk  
Don Giljum  
Gary Fulks  
Marilyn Miller  
Bill Ray

**POOLCO Model**

Mike Annis, Chair  
Maureen Borkowski  
Kathleen Carico  
Earnie Lehman  
Gene Peterson  
Charles Zurheide

Chair Fancher and Staff Vice-Chair Watkins will attend meetings of the subgroups when available.

In addition to the November 17 meeting date, the Reliability Working Group set aside December 9, and January 6, 13, 20, and 26, 1998 as additional meeting dates. The subgroups set their own future meeting dates.

Members were encouraged to bring reliability issues to the November 17 meeting. The Reliability Working Group adjourned at 10:50 a.m.

approved 11/17/97

**Missouri Public Service Commission  
STRANDED COST WORKING GROUP  
October 23, 1997**

**APPROVED MINUTES**

The fourth meeting of the Stranded Cost Working Group was called to order at 10:30 am on October 23, 1997, in Senate Hearings Rooms 2 and 3 at the Missouri Capitol Building in Jefferson City, Missouri.

Working Group members present were:

Maurice Brubaker, Chair	Donald Brandt, Union Electric Company
Duane Galloway, Vice-Chair	Jeff Kelley (for Scott Jaskowiak), Laclede Gas
Mark Oligschlaeger, Staff Vice-Chair	Ivan Eames, Central Missouri Counties'
Chris Giles, Kansas City Power & Light	Human Development Corporation
John Gallagher, Kansas City BOMA	Ryan Kind, Office of the Public Counsel
Assoc.	Charles E. Dumsky, City of Sugar Creek
Rachel Locke (for Ken Midkiff), Sierra Club	Steve Mahfood, Missouri Environmental
Steven Svec, Chillicothe Municipal Utility	Improvement and Energy Resources
Gary Burton, House of Representatives	

Working Group members absent were:

Todd Decker, Citizens Electric Corporation

The centerpiece of the meeting was a presentation by Dr. Eric Hirst of Oak Ridge National Labs (ORNL) on stranded cost issues, in particular potential methods for calculation of stranded costs and potential methods for collection of stranded costs. Dr. Hirst's appearance was facilitated and funded by the Department of Natural Resources. In addition to Work Group members, the presentation was attended by about 50 interested parties. The discussion period continued after lunch. The presentation was excellent and helped focus attention on issues and options.

The Working Group then continued with its agenda, and approved the September 30, 1997, draft minutes.

A verbal report was made by the Chairman on the October 14, 1997, Task Force Meeting, accompanied by a written report.

In terms of future meetings, the Group reaffirmed November 6th, 10 am, at DNR. The primary subject to discuss (in general) is the definition of stranded costs and what should or should not be included. The focus will be on options for identification, quantification and collection of stranded costs. Initially, we will concentrate on generation costs.

Pursuant to discussions with Dan Joyce, the Group will address municipal and cooperative systems. Duane Galloway and Mark Oligschlaeger will coordinate inviting representatives of municipal and cooperative systems to address the Group in order to present their positions/concerns/recommendations. This will occur on November 6 if representatives are available; otherwise on November 18.

The meeting adjourned at 3:00 pm.

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