



**Southwest Power Pool
REGIONAL STATE COMMITTEE
SPECIAL TELECONFERENCE MEETING**

April 7, 2005

• M I N U T E S •

Administrative Items

Members in attendance or represented by proxy were:

- Denise Bode, Chairman Oklahoma Corporation Commission (OCC)
- Brian Moline, Kansas Corporation Commission (KCC)
- Julie Parsley, by proxy Adrienne Brandt, Texas Public Utility Commission (TPUC)
- Steve Gaw, by proxy Mike Proctor, Missouri Public Service Commission

Others in attendance:

- Richard House, Arkansas Public Service Commission
- Sam Loudenslager-Arkansas Public Service Commission
- Larry Holloway, Kansas Corporation Commission
- Tom DeBaun-Kansas Corporation Commission
- Mike Proctor, Missouri Public Service Commission
- James Watkins- Missouri Public Service Commission
- Greg Meyer-Missouri Public Service Commission
- Pat Davis-Oklahoma Corporation Commission
- Ed Farrar-Oklahoma Corporation Commission
- Karen Forbes-Oklahoma Corporation Commission
- Joyce Davidson, Oklahoma Corporation Commission
- Greg ____-Oklahoma Staff
- Bridget Headrick-TPUC
- Barbara Pennington-TPUC
- Ryan Kind-Missouri Public Service Commission
- Bruce Rew, SPP
- Carl Monroe-SPP
- Tony Ingram, Federal Energy Regulatory Commission
- Arthur MelVancar-FERC
- Terri Gallup, AEP
- Steve Owens, Entergy
- Mike Wise, Golden Spread
- Deb Roby-GKRNC
- Scott Moore-SPP
- Walter Wolf-Stone Pigman, Walther, Wittman, LLC
- Scott Quinn-Structer Group
- Barry Warren-Empire District
- Richard Dillon-SPP
- ____ True-SPP
- Richard Ross-AEP
- Walt Schumate-EEI

Maria Sinabia-TEGRA
Doug Base-Western Farmers
Sha Hossain-West Star
Les Dillahunty, SPP
Craig Roach- Boston Pacific Co.
Michael Deselle-AEP
Tom Stuchlick-Western Energy
Bob Moore-ORWG
Richard Spring-Kansas City Power and Light
Dave Cristiano- City Utilities of Springfield

Vice President Hochstetter called the meeting to order at 10:30 AM CDT. A quorum was declared. Vice President Hochstetter stated that her understanding of the purpose of the meeting was for discussion to take place regarding issues on the implementation of the SPP Imbalance Market and updates that are expected to deliver soon such as the Cost Benefit Analysis. She suggested that the majority of the meeting should be devoted to the Imbalance discussion.

Impending SPP Imbalance Energy Market:

Mr. Loudenslager suggested that a report on what occurred at the Marketing Work Group (MWG) meeting might benefit the discussion for this morning's call. Vice President Hochstetter has a copy of the motion from the MWG that will go to the Market Operation Policy Committee (MOPC) next week. She asked that Carl Monroe explain how the process will work.

Mr. Monroe explained that the MWG and the Organization and Reliability Work Group (ORWG) both report to the MOPC which is a full representation committee that reports to the SPP Board and that this is the process that will be taken in addressing the Imbalance issue. In October, the MOPC had requested each of the working groups to look through the market protocols and to comment back to the MWG. Those comments were part of what was reviewed with the MWG this week and will be discussed with the MOPC next week.

Richard Ross discussed the MWG meeting. Mr. Ross stated that most significantly, the ORWG went through a thorough review of the market protocol at the last meeting and provided that review and issues to the MWG. A small group was established to address a possible solution to the list of issues raised at the ORWG. Mr. Ross stated that the issues were fairly large and the solution to the issues appears to require operational changes to market, therefore, an October implementation is unlikely. The result of the discussion is the Motion that Ms. Vice President Hochstetter referenced.

Three significant issues were identified: 1) self dispatch resources; 2) the interaction of the market engine with the IDC-transmission curtailment process; and, 3) interaction of market solution with the current reserve sharing process. The recommendation to MOPC is that the market trials and implementation need to be suspended or delayed until all of the issues identified by OWG and other groups, can be resolved and turned over to the vendor so that an appropriate time table can be developed for the modification of the system and a new implementation date for the market can be established.

There was a discussion regarding why the vendor did not recognize these issues. Mr. Ross stated that one of the elements was the 15 minute dispatch cycle. As the ORWG began looking into the

dispatch cycle in further detail and more participants realized how the market would operate in the scope of the market, it was determined that the economic dispatch cycle would not be capable of recognizing congestion and providing relief in 30 minutes or less. The response rate would be in the range of 30-45 minutes in many cases.

Mr. Loudenslager commented that his understanding of a partial solution to the three broad areas that Mr. Ross raised is to change the cycle from 4 cycles every hour to cycle every 10 or 5 minutes. However, more time is needed to evaluate these issues and determine a full solution. President Bode asked what the new time line would be. The first part of the Motion recommends that the market trials do not start on May 9, 2005 and that a new market trials and implementation schedule be presented no later than July, 2005 to the MOPC. The second part of the Motion is to direct the MWG to develop a comprehensive list of all issues identified by the other working groups, and identify a timeline and process to develop the solution to the MOPC by April 20, 2005. The third part of the Motion is to direct a formation of a special task force between the MWG/ORWG and other working groups to define the solutions to these particular issues no later than the end of May, 2005. The intent is to find the solutions, define them and turn them over so that a timeline can be developed by the end of May.

President Bode asked who the members of the MWG Committee are. Mr. Monroe provided the names of the Committee and the participants that were in attendance at the meeting. President Bode asked if any interaction with MISO and PJM was planned to possibly share information and experience within their market. It was noted that discussions were held early in the design process however; recently they have been reserved about providing information at this time.

Mr. Stuchlick asked if the impact on the JOA was a big issue. Mr. Monroe stated that they had a good way of explaining to the reliability side, the way in which reliability would be protected through the use of the market, and the JOA pushed to the forefront the area where the market has to provide a solution to congestion. President Bode asked if our original market design allowed us to do something other than have a market based solution for congestion. Mr. Quinn commented that what they are really trying to do is to make sure that the NERC processes and the JOA take into account market flow and that once they are taking that into account, and that then they would know what the proper curtailments that could be done using our existing methodology of TLR. At this time the way it was implemented was that we did not have the market information flowing up to NERC so that you could take account for the flows on the system. That was a deficiency that was needed both by NERC and JOA to account for the market flow. Once that deficiency is remedied, then we should be back to what the original intent was. The other portion that needs to be fixed is to make sure that the dispatch engine fully takes into account to self- dispatch generation. Mr. Monroe stated that if we can do this, then it might be the solution without having to go to financial transmission rights and the current way that other parties do congestion management with financial transmission rights.

President Bode asked for a copy of the Motion. It was determined that a copy of the Motion would be sent to the SPP exploder list.

Mr. Ryan Kind asked how changes in the energy market effect the pending Cost Benefit Study. President Bode expressed her concerns that the Cost Benefit Study would be valid to those states that need it and that it would be helpful to take a final look at it after some of the recommended solutions were made.

Mr. Loudenslager suggested that the full draft report of the study be submitted to the Cost Benefit Task Force (CBTF) and the State Commissions by April 13, 2005. A presentation of the results of the study would be presented to the RSC on April 25 and to the SPP Board on April 26. President Bode agreed with this plan and the issue will be added to the agenda for the April 25-26 meeting.

Updates:

President Bode asked if there was an update on the Tariff filing with FERC. Mr. Rew stated that SWPP filed additional comments to the response of the list of interveners and comments that were filed from the initial response. An order is expected by May 5, 2005.

President Bode commented that Pat Wood would be returning to Texas. President Bode asked Mr. Ingram to relay to Mr. Wood how much his leadership has been appreciated.

Mr. Proctor reported that the Cost Allocation Work Group (CAWG) met yesterday afternoon and Mr. Rew made a presentation on one of the attachments that had to be updated to take into account the cost allocation filing. The CAWG is supportive to the changes to this attachment which relate to the principals that the RSC has set out, in particular, the free rider principal. Another topic discussed was how a better understanding of economic upgrades would fit into the overall transmission service concepts that are currently in the SPP tariff such as wind power. Incentives to upgrade were also discussed. The next CAWG meeting is May 12, 2005.

Scheduling and Special Meeting:

President Bode discussed the upcoming RSC retreat scheduled May 11, 2005 prior to the retreat of the Strategic Planning Committee (SPC). President Bode's office will be coordinating the details of the retreat. For those who cannot attend in person, a telephone call-in number would be set up for participation. An agenda will be developed that would include topics such as regional planning, process improvement and strategic planning.

Mr. Spring, Chair of the SPC, noted that their planning retreat is for the SPC and they do not anticipate having all of the SPP Board members in attendance. Mr. Proctor commented that due to political reasons, they would not be attending in person.

Bridget Headrick confirmed that the agenda and the planning details would be handled by Vice President Hochstetter and President Bode's office. There was discussion on whether the retreat should be noticed as a meeting and President Bode agreed that it should be noticed.

President Bode suggested that this phone conference be the first call to get the RSC back on the Wednesday weekly call schedule. She suggested that next weeks' meeting be noticed as a special meeting but subsequent meetings may not need to be noticed as such.

There being no further business, the meeting was adjourned.

Respectfully submitted,

Julie Parsley, Secretary

Regional State Committee
April 7, 2005
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