SAR "Coordinate Interchange Transactions, 01-03" posted March 20, 2002.
Discussion Paper

May 8, 2003

Proposing Organization(s):

North American Electric Reliability Council (NERC)

Description and Background

This standard would pertain to "interchange transactions." Interchange transactions, once approved by all entities, are scheduled transfers of energy between balancing authorities that, in effect, agree to increase net generation output in the source area at the same time and rate as net generation output in the receiving areas is reduced. The standard is intended to ensure reliability related data pertaining to interchange transactions is verified and communicated to functional authorities. Reliability related data to be verified should include megawatt magnitude, ramp start and stop times, and the interchange transaction's duration. Reliability related data should be communicated by and between the Interchange Authority, Balancing Authority, Reliability Authority, Transmission Service Provider, and Purchasing-Selling Entity functions.

Verification of data should indicate that a mutual agreement exists between parties that intend to implement a proposed interchange transaction as well as approval by the appropriate functional authorities. The standard also is intended to provide a mechanism for transaction identification that could be used for congestion management and/or relieving operating limit violations.

The purpose of the standard is to ensure that the implementation of Transactions between Sink and Source Balancing Authorities are coordinated by the Interchange Authority such that the following reliability objectives are met:

- Each Interchange Schedule is checked for reliability before it is implemented
- The Balancing Authorities implement the Interchange Schedule exactly as agreed upon in the Interchange Confirmation process
- Interchange Schedule information is available for reliability assessments.

The SAR contemplates the need for complementary commercial practices or supporting documents prior to the implementation of the standard.

Potential business practice standards and related impacts

The SAR impacts the following NAESB activities/standards:

- There may be impacts onto the efforts underway by the NAESB Electric Trading Task Force who is evaluating the need for a standard electric trading day and related timetables.
- The NASEB Inadvertent Interchange Payback Task Force is developing commercial standard(s) relating to inadvertent interchange payback needed when interchange transactions result in differences between actual and scheduled energy.

The SAR raises the following possible business practice concerns:

- The SAR states that "Portions of Policy 3 will be deleted when this SAR is implemented. Policy 3 contains some procedures that may need to be transformed from Policies into commercial practices or supporting documents in concert with the implementation of this new standard."
    - Discussion:

      The SAR acknowledges the resulting fragmentation of Policy 3, but leaves much unsaid about the disposition of tagging in the next 2-3 yrs. The resulting NERC standard on this could be an issue for NAESB because of the significant impact tagging has on the market, both financially and operationally.

      The ESC/OSC deliverables will address how data exchange and communications should happen under OASIS Phase II , however:

        - Who decides how data exchange happens between the time OASIS II is implemented and the time the Coordinate Interchange standard is implemented?
        - Will there be coordination between NERC and NAESB on these implementation timelines?
        - Will tagging continue under the current Policy 3 until OASIS II is implemented or will control rooms/regions set up their own rules for data exchange in anticipation of the new NERC standard?
        - Does work need to begin on Policy 3 to split out the market rules from the reliability rules?
        - If so, is there a need for NERC/NAESB coordination on this issue?
        - Meanwhile, how far should development of or improvements to tagging and/or scheduling systems go in the interim?
        - Is there anything here the SRS can bring to the JIC or EC for deliberation?

- The standard could alter or restrict the start time of ramps within the hour and the ramp rates for generators engaged in transactions between Balancing Authorities.
    - The SRS requests comments and examples of known practices for ramp timing and rates in place or to be implemented that differ and will impact the marketplace.

- The standard could impose data entry and verification requirements on Purchasing-Selling Entities.
    - The SRS requests comments and examples of known practices for data requirements in place or to be implemented that differ and will impact the marketplace.
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- The standard could implicate transmission reservation, scheduling and purchasing transactions between generators, merchants, and transmission providers, including verification, credit, and penalty implications.
    - The SRS requests comments and examples of known practices for transmission service requirements in place or to be implemented that differ and will impact the marketplace.

- The standard could alter or affect inter-RA transactions, especially those between LMP markets and non-LMP markets or different LMP markets.
    - The SRS requests comments and examples of known practices for inter-RA transactions in place or to be implemented that differ and will impact the marketplace.