<div align="center">**BREAK-DOWN OF NERC POLICY 3**</div>

Part A. Interchange Transaction Implementation

Requirements

1.0 Interchange Transaction Arrangements
- This section assigns responsibilities to various functional entities. Interchange Transaction data (Ramp start time and rate, energy profile, schedule start and end time, etc.) is necessary for the RA and BA to effectively run the power system and maintain reliability. This same data would also be beneficial to the marketplace. However, this section should be carried to a NERC standard.
- Language needs to be updated to match the functional model (e.g., Control Area to Balancing Authority, etc.)

2.0 Interchange Transaction Tagging
- This section references the E-Tag Reference Document and the document entitled Transaction Tagging Process within ERCOT Reference Document for the "how" of tagging. These are business practices that should be reviewed for the creation of NAESB standards.
- Sections 2.1 – 2.2 provide detail regarding the types of transactions that must be tagged, to whom completed tags must be provided. This information impacts the reliability of the power system and should be given to a NERC standard.
- Sections 2.3 – 2.5 reference Appendix 3A1 and Appendix 3A2 which deal with the method of transmitting tags and tag submission times. These should be picked up by NAESB as business practices because they deal with the "how". For example, what methodology will be used for tagging, submission time, and confirmation of receipt?
- Section 2.6 describes the conditions under which a tag should be accepted and probably should be included within the NERC Coordinate Interchange standard.

3.0 Interchange Transaction Tag Receipt Verification
- This concept belongs within the NERC Coordinated Interchange standard.
- Language must be revised to reflect the roles defined by the functional model.

4.0 Interchange Transaction Assessment
- This section addresses the assessment of Interchange Transactions. This section should be incorporated into the NERC Coordinate Interchange Transaction standard.
- Section 4.1 should be considered by NAESB since it addresses tag corrections not associated with reliability. These modifications are based on non-reliability reasons.

5.0 Interchange Transaction Approval or Denial
- Notification of transaction approval or denial should be part of the NERC Coordinate Interchange Transactions standards. Nerc Coor. Intch. SDT is turning over to Naesb the timeline for approval of Interchange Transaction by appropriate Functional Authorities. The Coor Intrchnge SDT says the Nerc requirement on approvals will be to supply approval/denial to Requester within the Market timeline set forth by Naesb and before the schedule implementation.

6.0 Responsibility for Interchange Transaction Implementation

- This section should be incorporated into NERC's Coordinate Interchange Transactions standard.

7.0 Tag Requirements After Curtailment has Ended
- Post curtailment treatment of transaction. Should be incorporated into the NERC Coordinate Operations standard

8.0 Confidentiality of Information
- Confidentiality requirements. Should be incorporated into the NERC Coordinate Interchange standard.

Part B. Interchange Schedule Implementation

Requirements

- This section deals with the Control Area requirements for implementing Interchange Schedules resulting from tagged Interchange Transactions.
- This section should be incorporated into the NERC Coordinate Interchange Transactions standard
- Language within this section must be modified to reflect the Functional Model

Part C. Interchange Schedule Standards

Standards

- This section describes the standards for an Interchange Schedule and should be incorporated into the NERC Coordinate Interchange Transactions standard. However, there are business issues which also need to be addressed by NAESB:
  1. Development of Standardized Trading Day- 16 hour or maybe include an 8 hour product.
  2. Procedures for Intra-hour scheduling (with appropriate 20 minute notice)
  3. Consistent timeframes for submitting transaction tag and identifying path for Day-ahead.
  4. Compliance by all Regions or accommodate Regional differences.
  5. Ability to ramp at times other than "top of hour" provided no reliability issues.
  6. Interchange schedule accounting. Use Block scheduling?
  7. Requirement for standard software for "tagging" transactions, i.e., OATI.
  8. Procedure for handling Transmission losses (Nerc Functional Model will use 2 schedules- normal mw and losses but within 1 transaction?).
  9. Procedure for handling Ancillary services.

- Language within this section must be modified to reflect the Functional Model

Part D. Interchange Transaction Modifications

Requirements

1.0 Interchange Transaction Modification for Market-Related Issues
- This section deals with the PSE's right to modify an Interchange Transaction tag that is already in progress. These changes are due to market/economic factors and hence should not

be included within NERC standards. NAESB will need to develop a standard to address this issue

2.0 Interchange Transaction Modification for Reliability-Related Issues
- This section deals with the need to modify an Interchange Transaction for operational reasons, such as congestion. This section might be a good fit for NERC's Coordinate Operations standard.