

## **Report of the Inadvertent Interchange Payback Task Force to the WEQ Executive Committee**

### Task Assignment

2003 WEQ Annual Plan Item 6-IIP

### Scope from Standards Request

The goal of the IIPTF is to encourage proper system control and equitable resolution for those that respond appropriately. The IIPTF is developing only a method for settlement of Inadvertent Interchange based on data provided by NERC. It has not been determined whether the same solution will be used for both the Eastern and Western Interconnection.

### Definition of Inadvertent Interchange

Inadvertent Interchange, as defined by NERC, is the difference between actual net interchange and scheduled net interchange over a given period, usually an hour. Mathematically it is the time integral of the deviation of a control area's actual net interchange from its scheduled net interchange. The IIPTF defined a Balancing Authority's Inadvertent Interchange as its Inadvertent Interchange 'with the interconnection'. (Motion F<sup>1</sup>)

### Models being considered

The following models are being considered:

- Financial settlement for all Inadvertent Interchange
- Payback in kind for all Inadvertent Interchange
- A bandwidth that would allow for a mixture of financial settlement and settlement in-kind.

While all three methods are still being considered, the IIPTF prefers the compromise position of bandwidth, as evidence through motion M.

### Proposals for Financial Settlement Components

- Energy Price Proposals (see Native Market Pricing for Inadvertent Interchange, 04012004)
  - Single Price Model
    - Highest energy price plus an adder to insure that the bad contributors are penalized.
    - Highest regional energy price plus a percentage of energy price adder with a pay-in-kind frequency bandwidth.
    - Highest energy price with a +/- 0.015 Hz no payback frequency bandwidth.
  - Multiple Price Model (Native Market Price)
    - Each party using its own hourly market price plus a frequency dependent adder.
- Adder Proposals
  - Percentage of energy price
  - Definite number
- Bandwidth Proposals
  - select an arbitrary number and have the industry define the actual number through the comment period
  - use a number that is consistent with traditional practices
  - setting different bandwidths at different interconnections
  - setting the bandwidth based on level of megawatt deviation

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<sup>1</sup> Referenced motions can be found in the IIPTF Substantive and Tabled Motions document located in the appendix.

- a graduated proposal consistent with the January 2004 Lively presentation
- a dollar value bandwidth (see 022004 minutes)

The IIPTF has defined 'Frequency Bandwidth' as follows – a range of deviation around 60 Hz or the interconnection scheduled frequency. (Motion K) Any bandwidth should be determined for commercial, not reliability, purposes. (see 022004 minutes)

#### Rejected Proposals

- Frequency Control Component
- WOLF Methodology

#### Additional items to be considered

- Settlement process
- Arbitration and/or confidentiality
- Credit

#### Supporting Documentation

The IIPTF has created a very full record regarding each of the issues in this report. In addition to the documents listed below and attached for your reference, all other documents can be found on the NAESB web site at ([http://www.naesb.org/weq/weq\\_iiptf.asp](http://www.naesb.org/weq/weq_iiptf.asp)).

- Attachments:
  - 2003 WEQ Annual Plan Item 6-IIP Standards Request, dated March 6, 2003
  - IIPTF Substantive and Tabled Motions, dated March 8, 2004
  - Native Market Pricing for Inadvertent Interchange, dated March 25, 2004