UNITED STATES OF AMERICA 91 FERC ¶ 61,197
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: James J. Hoecker, Chairman;
William L. Massey, Linda Breathitt,
and Curt Hébert, Jr.

East Central Area Reliability Council — Docket No. ER00-2234-000

ORDER ACCEPTING INADVERTENT SETTLEMENT TARIFF

(Issued May 31, 2000)

In this order we accept for filing the East Central Area Reliability Council's (ECAR's) Inadvertent Settlement Tariff (IS Tariff). [1] The IS Tariff is intended to obligate each party to make payment and entitle each party to receive compensation for Inadvertent Interchange [2] from each other party. ECAR believes these procedures will play an important role in maintaining the reliability of the Eastern Interconnection and

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[1] ECAR made the filing on behalf of Allegheny Power, American Electric Power Company, Big Rivers Electric Corporation, Cinergy Corporation, Consumers Energy Company, the Dayton Power and Light Company, The Detroit Edison Company, Duquesne Light Company, East Kentucky Power Cooperative, Inc., First energy Corporation, Hoosier Energy REC Inc., Indianapolis Power and Light Company, LG&E Energy Corporation, Northern Indiana Public Service Company, Ohio Valley Electric Corporation, and Southern Indiana Gas and Electric Company. As to the three control areas in ECAR that are not subject to this Commission's jurisdiction under sections 205 and 206 of the Federal Power Act (FPA), Big Rivers Electric Corporation, East Kentucky Power Cooperative and Hoosier Energy REC Inc., ECAR states that it made the filing solely for information purposes and does not intend to subject them to such jurisdiction.

[2] Inadvertent Interchange is the difference between a control area's Net Actual Interchange and Net Scheduled Interchange.

reduce, if not eliminate, any economic incentive that may have existed for ECAR control areas to take power off the grid to avoid paying the market rate for that power.

Background

On April 18, 2000, ECAR filed the IS Tariff under which each party in ECAR would make payments and receive compensation for Inadvertent Interchange to and from other parties pursuant to ECAR's Inadvertent Settlement Procedure. On behalf of its members, ECAR requests that the Commission accept the IS Tariff for filing effective June 1, 2000.

ECAR is one of the ten Regional Reliability Councils of the North American Electric Reliability Council (NERC). ECAR encompasses 15 control areas located in 9 states over the east central region of the country. [3] Membership in ECAR is voluntary, and ECAR states that the current Full Members are those utilities whose generation and transmission have an impact on the reliability of the interconnected electric systems in the region. [4]

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[3]The control areas are: Allegheny Power, American Electric Power Co., Big Rivers Electric Corporation, Cinergy Corporation, The Dayton Power and Light Company, Duquesne Light Company, East Kentucky Power Cooperative, Inc., First Energy Corporation, Hoosier Energy REC Inc., Indianapolis Power and Light Company, LG&E Energy Corporation, Michigan Electric Coordinated Systems (Consumers Energy Company and The Detroit Edison Company), Northern Indiana Public Service Company, Ohio Valley Electric Corporation and Southern Indiana Gas and Electric Company.

[4]Small electric utilities, independent power producers, marketers who are active

According to ECAR, from July 22, 1999 through July 30, 1999, the weather across the Eastern Interconnection reached record levels and electrical demand and transmission line flows were correspondingly high. There were extended periods when the frequency of the Eastern Interconnection was significantly below the standard of 60 Hz. ECAR believes that during this period a small number of its control areas did not conform to NERC and ECAR policies and that the actions of one control area jeopardized the reliability of the Eastern Interconnection by using the Eastern Interconnection as a supplemental power resource without regard to the reliability or integrity of the system. This sustained dependency was the major contributor to reliability concerns during that period.

ECAR states that because such unacceptable performance is likely to reoccur as long as there are no financial disincentives for doing so, ECAR has worked to develop a mandatory Inadvertent Settlement Procedure that will greatly reduce, if not eliminate, any economic incentive that may have existed for ECAR control areas to take power off the grid to avoid paying the market rate for that power. After the reliability problems during the summer of 1999, ECAR states that it worked closely with its members to find a reasoned, well-supported approach to developing a reliability safeguard that makes sense and is workable. The Inadvertent Settlement Procedure is the result of those efforts. ECAR further contends that, absent implementation of the Inadvertent Settlement Procedure this summer, reliability will be at risk.

ECAR requests that the Commission issue an order accepting the IS Tariff. ECAR also requests that the Commission waive its notice requirements and accept the filing effective as of June 1, 2000.

Notice of Filing and Responsive Pleadings

Notice of ECAR's filing was published in the Federal Register, 65 Fed. Reg. 25,714 (2000), with comments, protests and motions to intervene due on or before May 9, 2000.

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within the region, and full members of other NERC Regions participate as Associate Members.

Duke Energy Corporation (Duke), Dynegy Power Marketing, Inc. (Dynegy) and the Electric Power Supply Association (EPSA) filed timely motions to intervene, raising no substantive issues. Cinergy Services, Inc. (Cinergy), on behalf of its operating company affiliates, The Cincinnati Gas & Electric Company and PSI Energy, Inc. filed an untimely motion to intervene, raising no substantive issues.

Discussion

A. Procedural Matters

Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (1999), the timely, unopposed motions to intervene of Duke, Dynegy and EPSA serve to make them parties to the proceeding. Furthermore, we find that good cause exists to grant Cinergy's untimely intervention given the interests which it represents, the early stage of this proceeding, and the apparent absence of any undue prejudice or delay.

B. Inadvertent Settlement Procedure

ECAR states that the Inadvertent Settlement Procedure provides a mechanism for dealing with Inadvertent Interchange that jeopardizes the reliability of the Eastern Interconnection and would apply, initially, to control areas within ECAR. [5] The IS Tariff applies only to inadvertent interchange transactions among ECAR parties when the frequency of the Eastern Interconnection is low. Previously, the control areas balanced inadvertent interchanges by returns-in-kind. In other words, the control area drawing power from the grid could return power to the grid, even if the market rates for power during the return period were much lower.

The IS Tariff is intended to remedy this problem. The Inadvertent Settlement Procedure is triggered only when the hourly average Eastern Interconnection Frequency, as determined by American Electric Power Service Corporation's (AEP) Control Area

[5] ECAR believes that the Inadvertent Settlement Procedure should apply to all Control Areas of the Eastern Interconnection and invites all Control Areas in the Eastern Interconnection to participate.

dispatchers, has been below 59.97 Hz for two successive hours.[6] The Inadvertent Settlement Procedure will then be in effect from the first hour of low frequency until the average Eastern Interconnection frequency recovers to 59.98 Hz.

After the frequency reduction ends, ECAR will collect data and use that information to establish which control areas were out of balance during the frequency reduction. The proposed IS Tariff calls for the ECAR parties that drew power from the grid (Short Party) to compensate the parties that made up the shortfall (Long Party) at the higher of incremental cost or highest sales price of the Long Party during the applicable hour, plus a 10% adder to promote appropriate behavior. A $15/Mwh credit will be applied to the dollar amount as a proxy for returning energy off peak.

Reliability is a critical function that is the responsibility of each reliability council. ECAR has determined that the existing return-in-kind practice created an incentive for one control area in ECAR to place the reliability of the Eastern Interconnection at risk by not purchasing power at prevailing market rates or shedding load when it lacked sufficient resources to meet its obligations. ECAR, on behalf of its members, has developed measures that should eliminate the economic incentives that contributed to the summer 1999 frequency crisis and reliability problems. We find that ECAR's IS Tariff appears to be just and reasonable and has not been shown to be unjust, unreasonable, unduly discriminatory or preferential, or otherwise unlawful.

<u>The Commission Orders</u>:

(A) Cinergy's motion to intervene is hereby granted subject to the Commission's Rules of Practice and Procedure.

(B) ECAR's IS Tariff is hereby accepted, effective June 1, 2000, as requested.

(C) ECAR is hereby informed of the rate schedule designations found in Attachment A.

By the Commission.

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[6] AEP is the designated Eastern Interconnection monitor.

(S E A L)

Linwood A. Watson, Jr.,
Acting Secretary.

ATTACHMENT A

East Central Area Reliability Council
Docket No. ER00-2234-000
Rate Schedule Designations

	Description	Designation
(1)	Rate Schedule FERC No. l	Inadvertent Settlement Tariff
(2)	Supplement No. 1 to Rate Schedule FERC No. 1	ECAR Dispute Resolution Procedure