

Questions for the NAESB Inadvertent Interchange Payback Task Force

- Will the entire interconnection be required to participate in the market/process that the IIPTF is discussing? **Answers in red.**

YES, but internal to an ISO/RTO with an hourly LMP market, it is expected that the “inadvertent” will be settled through the Balancing market.

[The NAESB process is always voluntary. However, the IIPTF is working under the assumption that our standard will be coupled with the IIPTF White Paper and other work to be approved or rejected by FERC as a mandatory standard. (Steve Terelmes)]

- If not,
 - What will be done to address the cash shortfall and/or leftover inadvertent (energy will flow out of the market when prices are high and into the market when prices are low)?
 - Will inadvertent be settled across hours (a balance for one hour that couldn't be cashed out, cashed out in a following hour)?
 - How will bilateral payback be accommodated?
- If so,
 - Who will put the infrastructure and process in place (hourly accounting, data validation and resolution, dispute resolution [when \$s involved, there will be disputes] ETF, credit risk management [or how you will handle defaults, shortfalls and late payments])?

Inadvertent Interchange Settlement Party (IISP) – The party responsible for after-the-fact energy accounting associated with inadvertent interchange settlement within one of the NERC Interconnections. Entities that qualify to be IISPs are Control Areas, Balancing Authorities, RTOs, ISOs, and other organizations that may be recognized by NERC as being qualified to perform settlement for its members. Qualifications to perform settlement for another party shall include, but may not be limited to, contract arrangements authorizing the party to perform settlement duties for a Control Area or Balancing Authority and indicating the party has the necessary resources to finalize settlement of inadvertent interchange for its members with other Control Areas or Balancing Authorities within the Interconnection.

- What are the safeguards to keep this from being a means to circumvent congestion?

It is expected that the financial settlement will have enough “teeth” to discourage gaming.

- Isn't one reason this task force was created based on the decision in the NERC arena that Inadvertent (within certain bounds) is not a reliability issue? The existing NERC policy will sunset under the new SAR process. Is the IIPTF taking ownership of the existing Policy 1F and Appendix 1F such that the current NERC practices will be

rolled into the NAESB standard?

We, the IIPTF are only tasked to create a standard to financially settle inadvertent.

- What happens to existing balances when the process starts?

It is expected that those balances will continue to be payed back in kind until they are zeroed out.

Respectfully,
Terry Bilke
Midwest ISO