

Subj: **IIPTF**
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From: Mark Lively
To: WEQ Inadvertent Interchange Payback Task Force

While driving home from the meeting in Philadelphia today, I dwelt on the various topics discussed during the meeting. I believe that establishing market rules for cashing out inadvertent interchange requires that we "de-socialize" inadvertent interchange.

I remember hearing an engineer from the upper Midwest talk proudly three years ago about how socialized (as in socialistic and communistic) the power grid was. It seems to me that socialized operation is not a best business practice, the concept that NAESB is seeking.

SEPA's Bob Goss very well explained NERC's socialistic approach to inadvertent interchange, that is, that inadvertent interchange is not bilateral with one's neighbor but is with the interconnection as a whole. As I said during the discussion of the minutes of the last meeting, this is because of NERC's definition of inadvertent interchange. We can define inadvertent interchange in different ways than the way that NERC does.

It seems to me that the way to de-socialize inadvertent interchange is to reverse the definition of inadvertent interchange, to find a way to make inadvertent interchange to be bilateral with one's neighbors instead of with the entire interconnection. That changes the definition of inadvertent interchange but allows the application of a business practice instead of the socialism of inadvertent interchange with the network.

My presentation in Philadelphia was on WOLF, which I describe as a unified approach to paying for unscheduled flows of electricity. On Monday and on Wednesday I said that part of the NERC data issue could be better handled by having each control area pay each neighbor for the unscheduled flow from its neighbor, generally in the context of my WOLF. As discussed today, there are other options, including Schedule 4 of the delivering or receiving control area or the LMP of an ISO.

With the payment obligation being bilateral, the quality of the metering for those bilateral flows will be improved. Further, the meter data would not have to be reported to a central repository. The interconnection point between A and B is metered by A and B to their desired accuracy, including however fine of a meter interval A and B might want to achieve for pricing inadvertent interchange. NERC requires a summary at least hourly, though it is only reported centrally once a month. If A and B are paying each other based on the unscheduled flows across the interface between them, they will make sure that they have "good enough" metering.

The IIPTF will discuss how to cash out these bilateral flows next month. My preference is of course WOLF. But Schedule 4 and LMPs can also be used once we have established the bilateral concept for inadvertent interchange, at least it will be easier to use Schedule 4 and LMPs for these purposes once we have established the bilateral concept.

I note that a payback in kind is a form of socialization of inadvertent interchange. If two control areas wish to so socialize the unscheduled flows across the interface between them, so be it. But they would face a cash out on their other interfaces.

My thanks again to Steve Terelmas for inviting me to the meeting, to Phil Cox for telling me of the meeting, and to Lou Oberski for use of his computer for the presentation. I also want to thank Bob Goss for repeatedly making clear that inadvertent interchange is NOW considered to be with the grid, not with one's neighbor. That made a light go on for me as to how to solve this problem.

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