

**Version 0 Reliability Standards
Alternatives for Tagging of Dynamic Schedules
September 10, 2004**

PLEASE COMMENT USING THE VERSION 0 DRAFT 2 COMMENT FORM — QUESTION 3.

Background

In developing the initial draft of the Version 0 reliability standards for posting on July 9, 2004, the Drafting Team received input from the Interchange Subcommittee noting a flaw in the requirement in Operating Policy 3 that defines when a dynamic schedule tag has to be modified. This flaw was commented on when the Compliance Template Task Force developed compliance templates for Board approval on April 2, 2004. However, the flaw was not corrected at that time.

The question the Version 0 Drafting Team has proposed to industry in the posting of Draft 2 of the standards is whether to correct this deficiency in the standard as part of Version 0 or postpone a change until a later version. Initial comments from Draft 1 were somewhat divided among the 7 commenters who responded. To get broader inputs, in Draft 2 the Drafting Team has increased the visibility of this issue by making it a distinct question in the comment form. In Draft 2, the Drafting Team has refined the alternatives based on comments on Draft 1.

Deficiency in Current Policy

The fundamental flaw in current policy is that it requires dynamic transfer tags to be revised if the hourly energy profile changes by more than 25%. On a spectrum between small transactions and large ones, using a straight 25% change criterion does not address reliability impacts. A 3 MW transaction that changes 1 MW would require a revised tag according to policy, while a 1000 MW transaction changing 250 MW would not. The reliability impact of the latter obviously has a potential for much greater impact on flows on and off the contract path. In addition to not directly addressing the reliability issue, this approach may place an undue burden on entities with small transactions.

Two other ambiguities in the policy have been addressed in both alternatives presented in Draft 2 of Version 0. Since a dynamic transfer, by definition, is variable from moment to moment, current policy is not clear on what a 25% deviation means. One interpretation could be that the instantaneous MW amount deviates from the tagged average amount by more than 25% at any moment. Another interpretation, supported indirectly by the compliance template P3T4, is that the 25% deviation is in the integrated energy over the hour.

It is unclear when the tag needs to be revised. Since an integrated average deviation is the criterion triggering the need for a tag revision, that result cannot be known until the top of the hour, too late to submit a revised tag in the next hour.

Both Alternatives A and B proposed for Version 0 address these latter two ambiguities. The difference between them is whether to use a 25% deviation criterion (Alternative A) or use a 25 MWhour deviation for transactions up to 250 MW in size and a 10% deviation for transactions greater than 250 MW (Alternative B).

Alternative A — Retain Existing Policy with Minor Clarifications

Alternative A is to preserve the intent of current policy and simply sharpen the language to remove ambiguities (Figure 1):

- R5 [3A 2.1 and P3T4] The Purchasing-Selling Entity responsible for tagging a Dynamic Interchange Schedule shall ensure the tag is updated for the next available scheduling hour and future hours if at any time the actual hourly integrated energy deviates from the hourly average energy profile indicated on the tag by more than $\pm 25\%$.

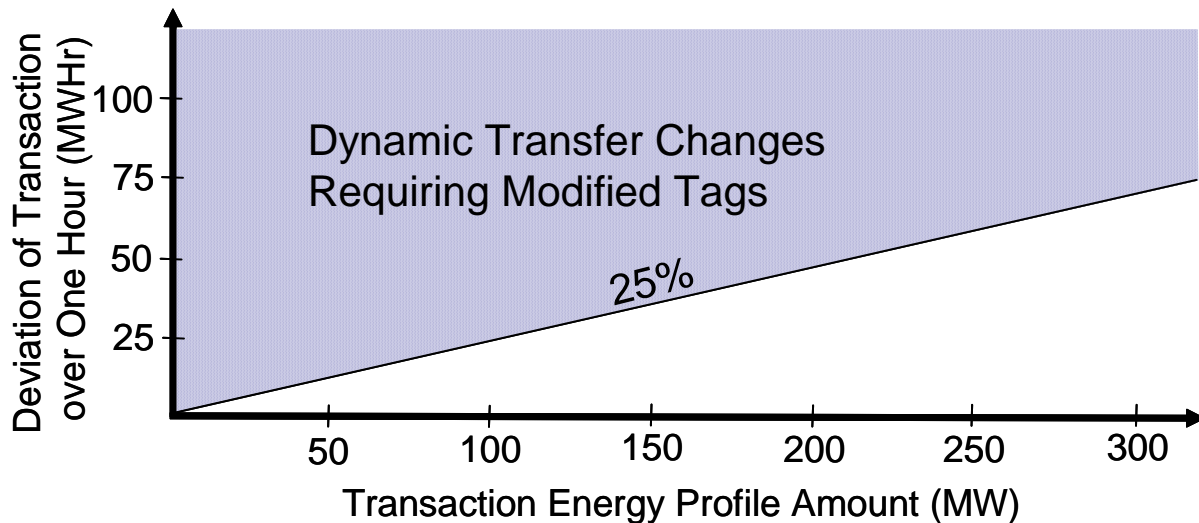


Figure 1 – Interpretation of Existing Policy

Alternative B — Correct Documented Deficiency in Policy

Alternative B is to correct the deficiency in the standard in Version 0 with a suitable replacement (Figure 2):

- R5 The Purchasing-Selling Entity responsible for tagging a Dynamic Interchange Schedule shall ensure the tag is updated for the next available scheduling hour and future hours when any one of the following occur:
- R5.1 The average energy profile in an hour is greater than **250 MW** and in that hour the actual hourly integrated energy deviates from the hourly average energy profile indicated on the tag by more than $\pm 10\%$.
 - R5.2 The average energy profile in an hour is less than or equal to **250 MW** and in that hour the actual hourly integrated energy deviates from the hourly average energy profile indicated on the tag by more than ± 25 megawatt-hours.
 - R5.3 A Reliability Coordinator, Reliability Authority, or Transmission Operator determines the deviation, regardless of magnitude, to be a reliability concern and notifies the Purchasing-Selling Entity of that determination and the reasons.

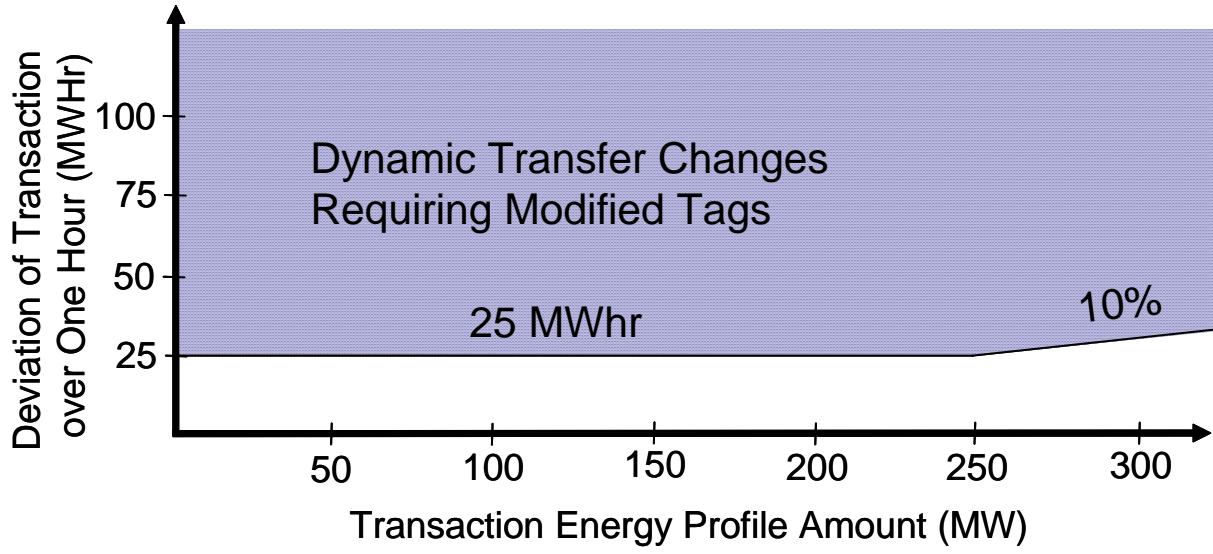


Figure 2 – Proposed Alternative for Version 0