



NORTH AMERICAN ELECTRIC RELIABILITY COUNCIL

Princeton Forrestal Village, 116-390 Village Boulevard, Princeton, New Jersey 08540-5731

Coordinate Interchange Transactions - SAR Drafting Team

August 19, 2002

Conference Call Agenda

The conference call notice and Drafting Team Roster are **Attachments A and B**.

NERC Antitrust Guidelines are **Attachment C**.

The team should address the following item on the call:

- Review the revisions to the Interchange Authority Task List drafted on the August 14 conference call. The formatted Task List is **Attachment D**.
- Review the revisions to the SAR and enclosed considerations document. The team should finish responding to the comments and complete the second draft of the SAR for posting to the industry. Redline and clean versions of this document are **Attachments Exhibits E and F**.
- The team agreed, at their August 6, 2002 meeting in Chicago, to include a list of issues to the next posting of the SAR. This list would solicit responses to the industry on items that the team believes the industry should address as they consider the SAR. The team should identify issues and complete the list. Maureen Long and Gordon Scott will format a document for this purpose and provide it to the team before the call. Until then, please use the affixed spreadsheet to capture the issues. The spreadsheet is **Attachment G**.

A member proposed, at the August 6, 2002 meeting, to have the next meeting of the team in Miami on October 2, 2002. One member of the team informed me that they have a conflict with that date. The team should discuss possible dates for the next meeting and finalize a date and city.

Gordon Scott

Gordon Scott
SAR Drafting Team Facilitator

Conference Call Notice

Group: Coordinate Interchange Transactions SAR Drafting Team

Reason: Complete 2nd draft of the SAR for posting

Number: (816) 650-0602 Access Code: 660844#

Date: Monday, August 19, 2002

Time: 3 p.m. EDT

Duration: 1 - 2 hours

Attachments:

Comments:

SAR Drafting Team Roster Coordinate Interchange

Attachment B

Name	Title	Company	Address	Phone/E-mail
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Guests

Tom Hawley	Manager-Power Operations	WE Energies	231 W. Michigan Street, A214 Milwaukee, WI 53201	414-221-4500 tom.Hawley@we-energies.com
Tony Jankowski	Manager-EDS	WE Energies	W237 N 1500 Busse Road Waukegan, WI 53188	262-544-7117 tony.jankowski@we-energies.com
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NERC ANTITRUST COMPLIANCE GUIDELINES

I. GENERAL

It is NERC's policy and practice to obey the antitrust laws and to avoid all conduct that unreasonably restrains competition. This policy requires the avoidance of any conduct that violates, or which might appear to violate, the antitrust laws. Among other things, the antitrust laws forbid any agreement between or among competitors regarding prices, availability of service, product design, terms of sale, division of markets, allocation of customers or any other activity that unreasonably restrains competition.

It is the responsibility of every NERC participant and employee who may in any way affect NERC's compliance with the antitrust laws to carry out this commitment.

Antitrust laws are complex and subject to court interpretation that can vary over time and from one court to another. The purpose of these guidelines is to alert NERC participants and employees to potential antitrust problems and to set forth policies to be followed with respect to activities that may involve antitrust considerations. In some instances, the NERC policy contained in these guidelines is stricter than the applicable antitrust laws. Any NERC participant or employee who is uncertain about the legal ramifications of a particular course of conduct or who has doubts or concerns about whether NERC's antitrust compliance policy is implicated in any situation should consult NERC's General Counsel immediately.

II. PROHIBITED ACTIVITIES

Participants in NERC activities (including those of its committees and subgroups) should refrain from the following when acting in their capacity as participants in NERC activities (e.g., at NERC meetings, conference calls and in informal discussions):

- Discussions involving pricing information, especially margin (profit) and internal cost information and participants' expectations as to their future prices or internal costs.
- Discussions of a participant's marketing strategies.
- Discussions regarding how customers and geographical areas are to be divided among competitors.
- Discussions concerning the exclusion of competitors from markets.
- Discussions concerning boycotting or group refusals to deal with competitors, vendors or suppliers.

Approved by NERC Board of Trustees
June 14, 2002

III. ACTIVITIES THAT ARE PERMITTED

From time to time decisions or actions of NERC (including those of its committees and subgroups) may have a negative impact on particular entities and thus in that sense adversely impact competition. Decisions and actions by NERC (including its committees and subgroups) should only be undertaken for the purpose of promoting and maintaining the reliability and adequacy of the bulk power system. If you do not have a legitimate purpose consistent with this objective for discussing a matter, please refrain from discussing the matter during NERC meetings and in other NERC-related communications.

You should also ensure that NERC procedures, including those set forth in NERC's Certificate of Incorporation and Bylaws are followed in conducting NERC business. Other NERC procedures that may be applicable to a particular NERC activity include the following:

- Organization Standards Process Manual
- Transitional Process for Revising Existing NERC Operating Policies and Planning Standards
- Organization and Procedures Manual for the NERC Standing Committees
- System Operator Certification Program

In addition, all discussions in NERC meetings and other NERC-related communications should be within the scope of mandate for or assignment to the particular NERC committee or subgroup, as well as within the scope of the published agenda for the meeting.

No decisions should be made nor any actions taken in NERC activities for the purpose of giving an industry participant or group of participants a competitive advantage over other participants. In particular, decisions with respect to setting, revising, or assessing compliance with NERC reliability standards should not be influenced by anti-competitive motivations.

Subject to the foregoing restrictions, participants in NERC activities may discuss:

- Reliability matters relating to the bulk power system, including operation and planning matters such as establishing or revising reliability standards, special operating procedures, operating transfer capabilities, and plans for new facilities.
- Matters relating to the impact of reliability standards for the bulk power system on electricity markets, and the impact of electricity market operations on the reliability of the bulk power system.
- Proposed filings or other communications with state or federal regulatory authorities or other governmental entities.
- Matters relating to the internal governance, management and operation of NERC, such as nominations for vacant committee positions, budgeting and assessments, and employment matters; and procedural matters such as planning and scheduling meetings.

Any other matters that do not clearly fall within these guidelines should be reviewed with NERC's General Counsel before being discussed.

Attachment D

List of Tasks that involve the Interchange Authority – from the Functional Model

Task Assignments	Needed for Reliability?
From IA to BA:	
<ul style="list-style-type: none"> ▪ Verify requested ramping capability (This language should be changed to verify requested MW amount and verify the start time and ramp duration.) 	<p>Discussion: For reliability what do we need to say needs to be coordinated? All the IA and BA should be interested is that everyone agrees to the MW value and ramping time.</p> <p>It is a reliability concern because the source and sink need to ramp at the same time. It is up to those who have a ramping capability limit to communicate the limit. How do you determine if you have reached the limit for your ramping capability if you do not have this verification? The IA must compile this information and pass it on – it is up to the parties to agree or not agree to flow the transaction. Do we need to have the BA verify the ramping capability? The SAR should not determine the ramp capability; this is for the market to determine.</p> <p>For the schedule, if two parties want to ramp over 37 minutes they should be allowed to do this. The IA should say here are the transactions and the entity with a capability limit should determine if they will ramp those transactions. As long as everyone agrees then you have a seamless transfer of power.</p>
<ul style="list-style-type: none"> ▪ Provide approved valid/balanced interchange requirements (What does this mean? Is this a request that the BA checks with other BA and all approvals are received and everyone agrees? Everyone should have the same number) 	<p>Yes, needed for reliability</p>
From IA to TSP:	
<ul style="list-style-type: none"> ▪ Submit interchange transaction requests for approval 	<p>Yes, needed for reliability to ensure a valid transaction. TPs must approve a transaction between two entities. There is no other way to ensure that the transaction that is going to flow does not cause a transmission problem.</p>
From IA to PSE	
<ul style="list-style-type: none"> ▪ Notify of approval/denial of transaction 	<p>Yes, needed for reliability as the PSE must know the status of their transactions.</p>

<ul style="list-style-type: none"> Confirm interchange transaction requirements 	Yes, needed for reliability. PSE must enter the core information that needs to be coordinated with the Authorities.
From IA to RA	
<ul style="list-style-type: none"> Submit interchange schedule requests for approval 	Yes, needed for reliability
From IA to NERC	
<ul style="list-style-type: none"> Enter transactions in IDC 	<p>Discussion:</p> <ul style="list-style-type: none"> The Task IA to NERC for the IDC may not apply in the future. Tools change and the IDC may be retired. All transactions must be passed on to all of the Authorities that are required to provide actions for validating transactions. This item should not be from IA to NERC but should be included in the From IA to RA above. This Task may apply to the Coordinate Operations SAR as it addresses items outside the Coordinate Interchange SAR.
From BA to IA:	
<ul style="list-style-type: none"> Confirm ramping capability 	Yes, needed for reliability because ramp start and duration is needed for reliable operations.
From TSP to IA:	
<ul style="list-style-type: none"> Approve/deny transaction request 	Yes, needed for reliability.
From PSE to IA:	
<ul style="list-style-type: none"> Request interchange transactions for approval 	Yes, needed for reliability.
<ul style="list-style-type: none"> Communicate parked transactions 	<p>Discussion:</p> <p>This Task can be deleted. Until you have a complete transaction there is no need for coordination with the IA.</p>
<ul style="list-style-type: none"> Confirm interchange transaction requirements 	Yes, needed for reliability.
From RA to IA:	
<ul style="list-style-type: none"> Approve/deny schedule request 	Yes, needed for reliability.

Original Title:	Coordinate Interchange
Revised Title:	Coordinate <u>Interchange</u> Transactions

Summary Consideration of Comments on Title:

~~The SAR title has been changed to “Coordinate Transactions.” This change should help clarify the distinction between, “coordinating interchange transactions” and “coordinating net interchange schedules.” The drafting team believes the SAR should address INTERCHANGE TRANSACTIONS as they affect INTERCHANGE SCHEDULES. The SAR is not meant to address NET ACTUAL INTERCHANGE i.e. what is being checked at the meters. The drafting team proposes to change the title of the SAR to “Coordinate Interchange Transactions” clarifying what the SAR intends to address.~~

Terms Used in NERC Policy

INTERCHANGE TRANSACTION. A TRANSACTION that crosses one or more Control Area boundaries.

INTERCHANGE SCHEDULE. The planned INTERCHANGE between two ADJACENT CONTROL AREAS that results from the implementation of one or more INTERCHANGE TRANSACTION(S).

NET ACTUAL INTERCHANGE. The algebraic sum of all metered interchange over all INTERCONNECTIONS between two PHYSICALLY ADJACENT CONTROL AREAS.

NET SCHEDULED INTERCHANGE. The net of all INTERCHANGE SCHEDULES with all ADJACENT CONTROL AREAS. It is, in essence, the scheduled interchange with the INTERCONNECTION.

ACTUAL INTERCHANGE. The metered interchange over a specific INTERCONNECTION between two PHYSICALLY ADJACENT CONTROL AREAS.

TRANSACTION. An agreement arranged by a PURCHASING-SELLING ENTITY to transfer energy from seller to a buyer.

INTERCHANGE TRANSACTION. A TRANSACTION that crosses one or more Control Area boundaries.

Comment:

This SAR and its scope should be clarified as to the extent to which it addresses "Interchange." It appears that its purpose is to address SCHEDULED Interchange only, but it is simply not clear. We would like to have the title clarified to express the intent of the purpose of the SAR. The resulting scope of measures will be greatly affected by this clarification. (Dairyland)

Original Purpose/Industry Need:

To ensure that the implementation of TRANSACTIONS-transactions between BALANCING BALANCING-AUTHORITIES are coordinated to maintain system reliability.

Revised Purpose/Industry Need:

To ensure that the implementation of transactions-TRANSACTIONS between BALANCING AUTHORITY are coordinated such that the following reliability objectives are met:

- To provide the RELIABILITY AUTHORITY with validated INTERCHANGE TRANSACTION TRANSACTION information to perform security studies.
- To provide the BALANCING AUTHORITY with validated INTERCHANGE TRANSACTIONS TRANSACTIONS for use in developing the respective BALANCING AUTHORITY Net Scheduled interchangeInterchange.

Summary Consideration of Comments on Purpose/Industry Need:

The Purpose/Industry Need for this SAR has been revised based on the comments submitted by industry participants. The SAR addresses the proper coordination of transactions between all involved parties. The reliability objectives that form the basis for this SAR have been identified and added to this SAR. This SAR addresses “What” performance should be achieved without addressing specifically “How” to achieve that performance. The details of “How” to achieve the desired performance may include commercial elements and is left up to each entity.

Comment:

There is inadequate detail in the SAR to determine if the scope of the SAR is appropriate and adequate. What is the reliability objective of coordinating interchange? The description of this Standard presumes the HOW without clearly defining the WHAT. (Illinois Power Company)

Consideration:

The scope of the SAR has been more specifically defined and its reliability objectives have been clearly stated in the revised SAR.

Comment:

Manitoba Hydro believes that the scope of this SAR as defined above, although required, is not a reliability requirement but a Business Standard one. The main concern here is inadvertent flows which is a Business Standards issue. We believe a SAR is required to address reliability requirements related to SCHEDULED Interchange; any monitoring and data requirements related to this function.

The Industry Need has not been defined for this SAR. (Manitoba Hydro)

Consideration:

The scope of the SAR has been more specifically defined to clarify that it is not intended to address business practices. The reliability objectives have been clearly stated in the revised SAR.

Comment:

Add specific measurable boundary conditions. The SAR lacks a description of the objective of this standard - only refers to "maintain system reliability". What are the aspects of reliability it is intended for? Real-time balance? Frequency? System stability? (Reliant Resources)

Consideration:

The objective of the SAR is being revised based on the comments submitted by industry participants. The SAR addresses the proper coordination of transactions between all involved parties.

Comment:

A lack of coordination will not directly impact grid reliability. Reliability is only threatened when a grid operator reacts inappropriately when coordination is lacking. (e.g. Operating limits) (Calpine)

Consideration:

The SAR has been revised to clarify the reliability objectives. The intent of the SAR is to meet the following reliability objectives:

- ~~? To provide the Reliability Authority with valid transaction information, in sufficient detail, to perform security studies.~~
 - ~~? To provide the Balancing Authority with validated transactions for use in developing the respective Balancing Authority net scheduled interchange.~~
 - To provide the RELIABILITY AUTHORITY with validated INTERCHANGE TRANSACTION information to perform security studies.
 - To provide the BALANCING AUTHORITY with validated INTERCHANGE TRANSACTIONS for use in developing the respective BALANCING AUTHORITY Net Scheduled Interchange.
-

Comment:

The purpose/industry need section should start with: The purpose of this standard is to ensure that a consistent, uniformly applied standard is developed for ... (Dynergy, Inc.)

Consideration:

This is a comment that Dynergy submitted on several of the SARs. A standard template has been drafted to ensure that all new standards are written in a consistent format. Your suggestion that we follow a standard format for the SARs is a good one and has been forwarded to the Standards Process Manager.

Original Brief Description:

Establish requirements for defining, assessing, confirming, and implementing INTERCHANGE TRANSACTIONS.

This shall include items such as data, communications, and timing requirements among Reliability Functions.

Revised Brief Description:

Define reliability related data to be verified in ~~validating~~ validating INTERCHANGE TRANSACTIONS in order to address the SAR's purpose and industry need.

Summary Consideration of Comments on Brief Description:

The Brief Description of this SAR has been revised based on the comments submitted by industry participants. The SAR addresses the proper coordination of ~~TRANSACTIONS~~ between all involved parties. The proposed standard would identify what types of data need to be exchanged between functions to ensure the RELIABILITY AUTHORITY has the data needed to perform security analyses and to ensure the BALANCING AUTHORITY has the data needed to develop the NET SCHEDULED SCHEDULED INTERCHANGE. This SAR is confined to the "what" and does not go into the "how."

Comment:

Clarify in description that this applies to tagging and scheduling in the real time environment. (Duke Power)

Consideration:

The drafting team revised the Brief Description to explain that the SAR is to address coordination of INTERCHANGE TRANSACTIONS.

Comment:

The description assumes a solution to a problem that is not clearly defined. "...requirements for defining, assessing, confirming, and implementing interchange transactions.." are possible means to achieve some reliability objective. They are not the reliability objectives themselves and should not be presumed to be the only solutions to achieving an underlying reliability objective that is not clearly stated in this SAR. This standard as proposed will be difficult to measure and enforce. There are numerous procedures and requirements that may be required to facilitate the reliability needs, however, not all of them fall under the definition of a core Organization Standard that is measurable. NERC must distinguish these requirements from core Organization Standards and apply an appropriate standards development process for them. (Reliant Resources)

Consideration:

The SAR has been revised to more clearly identify its reliability objectives. The revised Brief Description should clarify that the SAR will only address the reliability-related components of data that must be exchanged between functions to support security studies and for developing net-NET SCHEDULED INTERCHANGE.

Comment:

The standard should only define the requirement to be met to maintain reliability. How the affected entities comply with the standard are business process issues that should be addressed by NAESB. (Mirant Americas Energy Marketing)

Consideration:

The SAR has been revised to more clearly identify its reliability objectives. The revised Brief Description should clarify that the SAR will only address the reliability-related components of data that must be exchanged between functions to support security studies and for developing ~~net-NET SCHEDULED~~ SCHEDULED INTERCHANGE.

Comment:

Specification of data, communications, data could go beyond principles and expected results. Avoid descriptions on "how to do it".

Caution should be taken to define the principles, but not describe the operation of the ESC system. (Nova Scotia Power Inc.)

Consideration:

The SAR has been revised to more clearly identify its reliability objectives. The revised Brief Description should clarify that the SAR will only address the reliability-related components of data that must be exchanged between functions to support security studies and for developing ~~NNET SSCHEDULED~~ INTERCHANGE. This SAR addresses "what" data must be exchanged and doesn't go beyond that to require utilization of procedures that define "how to do it".

Comment:

Reduce the scope: Items such as data, communications and timing requirements should be defined in this SAR. However, establishing requirements for defining, assessing, confirming and implementing interchange transactions standards be developed in a process which takes into account market and reliability interests. (Allegheny Energy Supply)

Consideration:

The SAR should not include "how" the standard is to be achieved or "how" it is to be implemented but "what" performance is expected.

The standard may identify categories of data, communications, and agreements necessary for ensuring coordination prior to implementation of a TRANSACTION. The industry must decide what to include in the standard by submitting specific comments that identify the elements to be included. The SAR is not intended to address market interests. We expect that the market-related procedures used to support the coordination of INTERCHANGE will be addressed through a NERC/NAESB coordination effort.

Comment:

The SAR should not include "how" the standard is achieved or "how" it is implemented but "what" is expected.

Consideration:

We expect the standard will identify categories of data, communications, and agreements necessary for ensuring coordination prior to implementation of a [TRANSACTION](#). The industry must decide what should be included in the standard by submitting specific comments on the SAR.

Comment:

(Eliminate) all references to HOW this standard would be met such as data, communications, and timing. These tend to be issues as to HOW to achieve the standard not what the standard should be. (Illinois Power Company)

Consideration:

The SAR should not include “how” the standard is to be achieved or “how” it is to be implemented but “what” performance is expected.

The standard may identify categories of data, communications, and agreements necessary for ensuring coordination prior to implementation of a [TRANSACTION](#). The industry must decide what to include in the standard by submitting specific comments that identify the elements to be included. The SAR is not intended to address market interests. We expect that the market-related procedures used to support the coordination of Interchange will be addressed through a NERC/NAESB [coordination](#) effort.

Comment:

Reduce the Scope: eliminate references to commercial/business processes (Mirant Americas Energy Marketing)

Consideration:

The SAR is not intended to address commercial/business processes. If you feel that there is a specific commercial/business process that is being addressed by this SAR, please identify this in your written comments.

Comment:

Re-write description to include "...and timing requirements among Reliability and Balancing Functions." (California ISO)

Consideration:

Communication of timing is required between the [BALANCING AUTHORITY, RELIABILITY AUTHORITY, TRANSMISSION PROVIDER](#), generators, and loads; timing must be agreed to by all functional entities. This SAR addresses timing as an element of data to be exchanged between involved functions, but doesn't address specific time constraints for accomplishing the coordination of [TRANSACTIONS](#).

Comment:

The scope is too general. Interchange information should be coordinated at multiple levels including planning, scheduling, and balancing. (Ameren Services -Energy Delivery Technical Services)

Consideration:

The scope of the SAR is currently limited to addressing scheduled interchange as communicated between two or more functions. The functions included in the SAR are the [RELIABILITY AUTHORITY, INTERCHANGE AUTHORITY, BALANCING AUTHORITY, TRANSMISSION SERVICE PROVIDER AND PURCHASING-SELLING ENTITY](#). If you feel that there are additional functions that should be addressed, please identify the functions and their associated tasks.

The SAR has been revised to more clearly identify its reliability objectives. The revised Brief Description should clarify that the SAR will only address the reliability-related components of data that must be exchanged between functions to support security studies and for developing NET SCHEDULED INTERCHANGE.

The drafting team revised the Brief Description to explain that the SAR is to address coordination of INTERCHANGE TRANSACTIONS.

Comment:

Add specific reliability-based rules governing tagging energy to exactly match energy flow (i.e. not allowing "gaming" the integrated MW-value for the hour). (NIPS (Northern Indiana Public Service Co.)

Consideration:

Matching energy is a function of the Balancing SAR and should be included as a comment to that SAR. This SAR addresses ~~scheduled~~ INTERCHANGE TRANSACTIONS as they affect INTERCHANGE SCHEDULES as communicated between two or more Reliability Model functions.¹

This SAR does not address gaming. If gaming denotes a commercial activity then gaming should be addressed in the market monitoring process. This SAR addresses requirements regarding the coordination of individual TRANSACTIONS.

~~Coordination of interchange transactions was the original purpose of the SAR. The Interchange Authority will communicate the approved schedules, ensuring that all entities are in agreement on the scheduled transactions.~~

Comment:

The creation of a standard for the effective coordination of the interconnection is needed to address the way transmission business is conducted in our industry. Currently NERC policy 3 defines the interchange protocol that most of the industry subscribes to. But this protocol is not followed, defined, and implemented uniformly throughout the interconnection. This leads to isolated areas of confusion when balancing the interconnection and conducting business. We need consistent criteria that can be applied to large geographical areas, such as the three basic interconnections. Standards that address the implementation of One-Stop-Shop business, common timing requirements, products, and operational time need to be reviewed. (FirstEnergy Corp)

Consideration:

The NERC Board of Trustees directed that we focus on developing reliability-related standards. Standards that involve business practices and communications protocols will be developed by NAESB, and standards that involve both reliability and commercial practices will most likely be developed through a combined NERC/NAESB standards development process. NERC’s reliability standards are intended to address ‘What’ performance must be accomplished, but aren’t necessarily intended to identify ‘How’ to achieve that level of performance. NERC’s Policy 3 goes beyond identifying ‘What’ performance to achieve, and includes ‘How’ to achieve that performance and includes some requirements that have an impact on markets as well as reliability – for these reasons Policy 3 is not a role model for the format of NERC’s new reliability standards.

¹ The functions are identified in the Functional Model and include the RELIABILITY AUTHORITY, INTERCHANGE AUTHORITY, BALANCING AUTHORITY, PLANNING AUTHORITY, TRANSMISSION SERVICE PROVIDER, TRANSMISSION OWNER, TRANSMISSION OPERATOR, DISTRIBUTION PROVIDER, LOAD-SERVING ENTITY, and PURCHASING-SELLING ENTITY AND GENERATORS.

Comment:

Emphasize developing coordinated methods for determining how to handle roll-over rights and partial path reservations in planning models. (American Transmission Company)

Consideration:

This SAR is limited to the reliability-related aspects of coordinating TRANSACTIONS and is limited to identifying “What” performance should be achieved without delving into the specifics of “How” to achieve that performance. The underlying processes (such as how to determine roll-over rights) used to support the coordination of INTERCHANGE contain elements that relate to both reliability and commercial practices and need to be addressed in a joint NERC/NAESB standards development effort.

Comment:

Coordinating interchange should consider Automatic Generation Control (AGC) and Generation Rejection Schemes and their impact on interconnected systems. This indicates that in the Reliability Functions matrix, this Standard should also apply to generators. (Independent Electricity Market Operator (IMO))

Consideration:

AGC and Generation Rejection Schemes are tools that can be used to achieve a performance objective. NERC’s reliability standards are intended to identify ‘What’ performance should be achieved, without necessarily identifying ‘How’ to achieve that performance. In developing its new standards development process, industry participants clearly indicated that when NERC’s Policies and Standards delved into “How” to achieve performance, they sometimes had an unintended, adverse impact on markets.

New Detailed Description:

On the August 14 conference call Carolyn Ingersoll agreed to draft this section. The drafting team will consider Carolyn's draft language on our August 19 conference call.

Original Functions:		
X	Reliability Auth	Ensures the reliability of the bulk transmission system within its Security Authority Area. Highest reliability authority.
X	Balancing Auth	Integrates resource plans ahead of time, and maintains load-interchange-resource balance within its metered boundary and supports system frequency in real time
X	Interchange Auth	Authorizes valid and balanced Interchange Schedules
	Planning Auth	Plans the bulk electric system
X	Transmission Service Provider	Provides trans services to qualified market participants under applicable transmission service agreements
	Trans Owner	Owens transmission facilities
	Transmission Operator	Operates and maintains the transmission facilities, and executes switching orders
	Distribution Provider	Provides and operates the “wires” between the transmission system and the customer
	Generator	Owens and operates generation unit(s) or runs a market for generation products that performs the functions of supplying energy and Interconnected Operations Services
X	Purchasing-Selling Entity	The function of purchasing or selling energy, capacity and all necessary Interconnected Operations Services as required.
	Load-Serving Entity	Secures energy and transmission (and related generation services) to serve the end user

Summary Consideration of Comments on Applicable Functions:

The functions checked are the functions that would have performance requirements and associated compliance elements in the proposed standard. At this point, the functions that would have performance measures as part of this proposed standard are the RELIABILITY AUTHORITY, BALANCING AUTHORITY, INTERCHANGE AUTHORITY, TRANSMISSION SERVICE PROVIDER and PURCHASING-SELLING ENTITY. No performance requirements have been identified that are assigned to the PLANNING AUTHORITY, the GENERATOR or the LOAD-SERVING ENTITY.

Comment:

The Planning Authority has a role in that long term transactions factor into the planning for the transmission system. (Michigan Electric Coordinated Systems (MECS))

Consideration:

See the Drafting teams’ comment - Summary Consideration of Comments on Applicable Functions

Comment:

This is a process that should be part of Coordinate Operation. Even if this is kept as a SAR, additional entities such as the Generator and LSE should be included. (SERC)

Consideration:

See the Drafting teams' comment - Summary Consideration of Comments on Applicable Functions

Comment:

This standard should also apply to the Generator and Load-Serving Entities functions since those functions are the ultimate source and sink on interchange transactions. (American Transmission Company)

Consideration:

See the Drafting teams' comment - Summary Consideration of Comments on Applicable Functions

Original Reliability and Market Interface Principles	
Applicable Reliability Principles <i>(Put an 'x' in front of all that apply)</i>	
X	1. Interconnected bulk electric systems shall be planned and operated in a coordinated manner to perform reliably under normal and abnormal conditions.
X	2. The frequency of interconnected bulk electric systems shall be controlled within defined limits through the balancing of electric supply and demand
X	3. Information necessary for planning and operation of interconnected bulk electric systems shall be made available to those entities responsible for planning and operating the systems reliably
	4. Plans for emergency operation and system restoration of interconnected bulk electric systems shall be developed, coordinated, maintained and implemented
X	5. Facilities for communication, monitoring and control shall be provided, used and maintained for the reliability of interconnected bulk electric systems
	6. Personnel responsible for planning and operating interconnected bulk electric systems shall be trained, qualified and have the responsibility and authority to implement actions
X	7. The security of the interconnected bulk electric systems shall be assessed, monitored and maintained on a wide area basis
Does the proposed Standard comply with all of the following Market Interface Principles? <i>(Enter 'yes' or 'no')</i>	
	Yes
1. Interconnected The planning and operation of bulk electric systems shall recognize that reliability is an essential requirement of a robust North American economy	
2. An Organization Standard shall not give any market participant an unfair competitive advantage	
3. An Organization Standard shall neither mandate nor prohibit any specific market structure	
4. An Organization Standard shall not preclude market solutions to achieving compliance with that Standard	
5. An Organization Standard shall not require the public disclosure of commercially sensitive information. All market participants shall have equal opportunity to access commercially non-sensitive information that is required for compliance with reliability standards	

Summary Response to Comments on Principles

Comment:

Reliability Principle #6, "Personnel responsible for planning and operating interconnected bulk electric systems shall be trained, qualified and have the responsibility and authority to implement actions," should be applied to this standard. (American Transmission Company)

Consideration:

DRAFT RESPONSE BY GLS – Your comment will be referred to the Standards Authorization Committee and may be addressed in the Reliability Model's certification process.

Summary Consideration of Comments on Commercial Practices:

The industry agrees that there are reliability issues in this SAR. The SAR is not intended to address commercial business processes, and we have tried to clarify this with the revisions made to the SAR. If you feel that there are any commercial business practices addressed with the revised SAR, please submit specific comments that identify these so we can make appropriate adjustments to the SAR.

Other Comments on Commercial Practices:

Comment:

This is NOT a reliability standard. It is purely commercial and should be the subject of a NAESB action. NERC, in its participation in the NAESB process can manage the indirect reliability issues as a part of that process. (Calpine)

Comment:

The existing NERC standard Policy 3 includes procedures for market participants to identify commercial transactions for reliability information. These procedures have profound impacts on market activity and should be developed with the NAESB process and filed at FERC for approval. (Reliant Resources)

Comment:

The establishment of this SAR is premature. All commercial implications of the SAR should be identified and mitigated prior to the drafting. (Electricity Consumers Resource Council (ELCON))

Comment:

The SAR needs to focus strictly on setting reliability measures related to coordinating interchange. The effort must be coordinated with any commercial standards which are developed. (Exelon Corporation)

Comment:

~~This one needs a lot of work. Don't ignore the E-tag documentation nor the work of the ESC. Also must stay on top of the upcoming work of NAESB (Bonneville Power Administration—Power Business Line)~~

Comment:

Many of the aspects discussed in SAR#7 seem to involve commercial business practices associated with scheduling transactions (or requesting transactions to be scheduled). We agree that there is a need to standardize the process by which interchange authorities implement interchange schedules. However, any attempt to standardize scheduling requirements to be imposed upon market participants would have significant commercial implications and should be vetted through the NAESB commercial business practice standards process. Hence, the standard should be modified to limit its scope to the purely reliability aspects of implementation of interchange schedules between interchange authorities. (Southern Company)

Comment:

The standard should only define the requirement to be met to maintain reliability. How the affected entities comply with the standard are business process issues that should be addressed by NAESB. (Mirant Americas Energy Marketing)

Consideration:

~~The industry agrees that there are reliability issues in this SAR. The SAR is not intended to address commercial business processes, and we have tried to clarify this with the revisions made to the SAR. If you feel that there are any commercial business practices addressed with the revised SAR, please submit specific comments that identify these so we can make appropriate adjustments to the SAR.~~

Comment:

This one needs a lot of work. Don't ignore the E-tag documentation nor the work of the ESC. Also must stay on top of the upcoming work of NAESB (Bonneville Power Administration - Power Business Line)

Consideration:

DRAFT RESPONSE BY GLS – Drafting Team member include members from the Interchange Subcommittee who oversee Tagging the Electronic Scheduling Collaborative. The Drafting Team is aware of the need for coordination and staying abreast of other group's work.

Summary Consideration of Comments on FERC's Standard Market Design NOPR:

This SAR is limited to the reliability-related aspects of coordinating TRANSACTIONS and is limited to identifying "What" performance should be achieved without delving into the specifics of "How" to achieve that performance. As currently written, this SAR does not include any timing requirements.

The FERC SMD NOPR has been issued and we are reviewing the document to ensure that this standard will be consistent with FERC's ruling. We don't expect any of the requirements of the proposed standard to conflict with FERC approved tariffs. If you are aware of any conflicts, please identify these in your comments so we can address them more specifically.

Comments on FERC's Standard Market Design NOPR

Comment:

To the extent that this SAR is transitioning an existing standard from the old world to the new world (Functional Model), then the standard should not go beyond the original scope. Consistent with our general comments, once the clarity is achieved on Standard Market Design and RTO formations, then this standard should be revisited and reevaluated. (American Electric Power)

Comment:

The promulgation for comment of these SARs is premature. The industry "standard making process" is in a transition phase and it is overly burdensome to devote resources at this time. Once legislation or FERC firmly determines which entity(ies) is responsible for standards it will make sense to move forward with said entity.

Even if NERC wants to cover reliability standards, almost all standards have a reliability and commercial impact; thereby, necessitating developing a single process that incorporates both commercial and reliability aspects of standards development. The current NERC process risks being changed soon, discounts commercial aspects, and is not part of a finalized overall industry process.

Waiting a short while to move forward on a new standards setting process is acceptable and prudent given that NERC standards are currently in place and the industry can continue to use these standards until the new process and standards setting organization(s) are firmly set. (Baltimore Gas & Electric)

Comment:

The requirements in this standard should not conflict with the timing requirements, etc, in the FERC approved tariffs. (American Transmission Company)

Comment:

It is premature to continue development of this SAR until FERC has specified the organization to be responsible for the development of wholesale electric standards. (Public Service Electric & Gas)

Consideration:

~~This SAR is limited to the reliability-related aspects of coordinating TRANSACTIONS and is limited to identifying "What" performance should be achieved without delving into the specifics of "How" to achieve that performance. The FERC SMD NOPR has been issued and we are reviewing the document to ensure that this standard will be consistent with FERC's ruling.~~

~~As currently written, this SAR does not include any timing requirements. The timing of a transaction will most likely be one element of data that must be exchanged between functions as part of this proposed standard. We don't expect any of the requirements of the proposed standard to conflict with FERC approved tariffs. If you are aware of any conflicts, please identify these in your comments so we can address them more specifically.~~

Comments Suggesting this SAR be Combined with Other SARs:

Comment:

This SAR is to "ensure that the implementation of transactions are coordinated" by establishing requirements for defining, assessing, confirming and implementing interchange transactions. This shall include items such as data, communications, and timing requirements among Reliability Functions." This SAR is really the details for "how" to coordinate interchange and will define a "process" through business rules, E-Tag, data needs and timing requirements. This SAR is really part of "how" the industry will meet the SARs "Balance Resources and Demand" or "Coordinate Operations". However, we believe this is not a "core reliability" Organization Standard. (Energy Services)

Comment:

This is a process that should be part of Coordinate Operation. Even if this is kept as a SAR, additional entities such as the Generator and LSE should be included. (Progress Energy - Carolina Power & Light Company and Florida Power Corp.)

Comment:

This is a process that should be part of Coordinate Operation. Even if this is kept as a separate SAR, additional entities such as the Generator and LSE should be included. (SERC Compliance Subcommittee)

Comment:

There is a need to coordinate 'basic' transaction information (magnitude, start/end times, ramping duration) and those can be handled as part of the standard to Coordinate Operations.

Leaving this as an ad hoc proposal will lead to the creation of Business procedures and tools that should be outside the scope of Organization Standards. (MAAC)

Comment:

This is a process that should be part of Coordinate Operation. Even if this is kept as a SAR, additional entities such as the Generator and LSE should be included. (Progress Energy - Carolina Power & Light Company and Florida Power Corp.)

Comment:

This is a process that should be part of Coordinate Operation. Even if this is kept as a separate SAR, additional entities such as the Generator and LSE should be included. (SERC Compliance Subcommittee)

Consideration:

The Requestor has indicated a preference for revising this SAR and moving forward in parallel with the SARs that address Coordinate Operations. At this point in the Standards Development Process, the decision on whether to move forward, or withdraw the SAR is left up to the Requestor.

The industry comments indicate that there is a need for a reliability-related standard that addresses coordinating interchange. The SAR has been revised and we don't believe it currently contains any "how" requirements.

Comments Suggesting the Possibility of Regional Differences

Comment:

This SAR and the other posted SARs provide an appropriate framework for transitioning existing NERC Operating Policies and Planning Standards into new, NERC Organization Standards. Multiple compliance measures may be defined and developed for each of the eleven proposed Organization Standards. The Organization Standards and related compliance measures should focus on what functions must be performed for reliability, on who is responsible for each compliance measure for each required function and not, on how the compliance measure is achieved. The compliance measure must be measurable or demonstrable to ensure compliance.

It is necessary that there be a standard addressing interchange between Source and Sink Balancing Authorities. Interchange must be controlled and coordinated so that unscheduled flows are minimized to facilitate balancing of resources and demand (ref. SAR ID# BAL_RES_&_DEMND_01_01).

The Standard developed should recognize the different characteristics of interchange over free flowing synchronous ties and those over controlled interfaces (i.e. DC ties) between Balancing Authorities. These differences may justify different requirements for interchange over these interfaces. (ERCOT)

Comment:

HL&P supports ERCOT's comments regarding the appropriate scope and characteristics of this standard, if a standard is developed. (Reliant Energy HL&P)

Consideration:

Any regional difference that should be included in the scope of the proposed standard should be identified as early in the standard development process as possible.

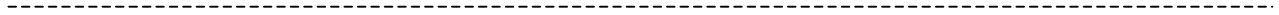
Comments Suggesting Consideration of Electronic Scheduling Collaborative

Comment:

Eliminate elements that overlap with the ESC. (Powerex)

Consideration:

A response needs to be developed



Original Title:	Coordinate Interchange
Revised Title:	Coordinate Interchange Transactions

Summary Consideration of Comments on Title:

The drafting team believes the SAR should address INTERCHANGE TRANSACTIONS as they affect INTERCHANGE SCHEDULES. The SAR is not meant to address NET ACTUAL INTERCHANGE i.e. what is being checked at the meters. The drafting team proposes to change the title of the SAR to "Coordinate Interchange Transactions" clarifying what the SAR intends to address.

Terms Used in NERC Policy

INTERCHANGE TRANSACTION. A TRANSACTION that crosses one or more Control Area boundaries.

INTERCHANGE SCHEDULE. The planned INTERCHANGE between two ADJACENT CONTROL AREAS that results from the implementation of one or more INTERCHANGE TRANSACTION(S).

NET ACTUAL INTERCHANGE. The algebraic sum of all metered interchange over all INTERCONNECTIONS between two PHYSICALLY ADJACENT CONTROL AREAS.

NET SCHEDULED INTERCHANGE. The net of all INTERCHANGE SCHEDULES with all ADJACENT CONTROL AREAS. It is, in essence, the scheduled interchange with the INTERCONNECTION.

ACTUAL INTERCHANGE. The metered interchange over a specific INTERCONNECTION between two PHYSICALLY ADJACENT CONTROL AREAS.

TRANSACTION. An agreement arranged by a PURCHASING-SELLING ENTITY to transfer energy from seller to a buyer.

INTERCHANGE TRANSACTION. A TRANSACTION that crosses one or more Control Area boundaries.

Comment:

This SAR and its scope should be clarified as to the extent to which it addresses "Interchange." It appears that its purpose is to address SCHEDULED Interchange only, but it is simply not clear. We would like to have the title clarified to express the intent of the purpose of the SAR. The resulting scope of measures will be greatly affected by this clarification. (Dairyland)

Original Purpose/Industry Need:

To ensure that the implementation of TRANSACTIONS BALANCING AUTHORITIES are coordinated to maintain system reliability.

Revised Purpose/Industry Need:

To ensure that the implementation of TRANSACTIONS between BALANCING AUTHORITIES are coordinated such that the following reliability objectives are met:

- To provide the RELIABILITY AUTHORITY with validated INTERCHANGE TRANSACTION information to perform security studies.

To provide the BALANCING AUTHORITY with validated INTERCHANGE TRANSACTIONS for use in developing the respective BALANCING AUTHORITY Net Scheduled Interchange.

Summary Consideration of Comments on Purpose/Industry Need:

The Purpose/Industry Need for this SAR has been revised based on the comments submitted by industry participants. The SAR addresses the proper coordination of transactions between all involved parties. The reliability objectives that form the basis for this SAR have been identified and added to this SAR. This SAR addresses “What” performance should be achieved without addressing specifically “How” to achieve that performance. The details of “How” to achieve the desired performance may include commercial elements and is left up to each entity.

Comment:

There is inadequate detail in the SAR to determine if the scope of the SAR is appropriate and adequate. What is the reliability objective of coordinating interchange? The description of this Standard presumes the HOW without clearly defining the WHAT. (Illinois Power Company)

Consideration:

The scope of the SAR has been more specifically defined and its reliability objectives have been clearly stated in the revised SAR.

Comment:

Manitoba Hydro believes that the scope of this SAR as defined above, although required, is not a reliability requirement but a Business Standard one. The main concern here is inadvertent flows which is a Business Standards issue. We believe a SAR is required to address reliability requirements related to SCHEDULED Interchange; any monitoring and data requirements related to this function.

The Industry Need has not been defined for this SAR. (Manitoba Hydro)

Consideration:

The scope of the SAR has been more specifically defined to clarify that it is not intended to address business practices. The reliability objectives have been clearly stated in the revised SAR.

Comment:

Add specific measurable boundary conditions. The SAR lacks a description of the objective of this standard - only refers to "maintain system reliability". What are the aspects of reliability it is intended for? Real-time balance? Frequency? System stability? (Reliant Resources)

Consideration:

The objective of the SAR is being revised based on the comments submitted by industry participants. The SAR addresses the proper coordination of transactions between all involved parties.

Comment:

A lack of coordination will not directly impact grid reliability. Reliability is only threatened when a grid operator reacts inappropriately when coordination is lacking. (e.g. Operating limits) (Calpine)

Consideration:

The SAR has been revised to clarify the reliability objectives. The intent of the SAR is to meet the following reliability objectives:

- To provide the RELIABILITY AUTHORITY with validated INTERCHANGE TRANSACTION information to perform security studies.
 - To provide the BALANCING AUTHORITY with validated INTERCHANGE TRANSACTIONS for use in developing the respective BALANCING AUTHORITY Net Scheduled Interchange.
-

Comment:

The purpose/industry need section should start with: The purpose of this standard is to ensure that a consistent, uniformly applied standard is developed for ... (Dynergy, Inc.)

Consideration:

This is a comment that Dynergy submitted on several of the SARs. A standard template has been drafted to ensure that all new standards are written in a consistent format. Your suggestion that we follow a standard format for the SARs is a good one and has been forwarded to the Standards Process Manager.

Original Brief Description:

Establish requirements for defining, assessing, confirming, and implementing INTERCHANGE TRANSACTIONS.

This shall include items such as data, communications, and timing requirements among Reliability Functions.

Revised Brief Description:

Define reliability related data to be verified in validating INTERCHANGE TRANSACTIONS in order to address the SAR’s purpose and industry need.

Summary Consideration of Comments on Brief Description:

The Brief Description of this SAR has been revised based on the comments submitted by industry participants. The SAR addresses the proper coordination of TRANSACTIONS between all involved parties. The proposed standard would identify what types of data need to be exchanged between functions to ensure the RELIABILITY AUTHORITY has the data needed to perform security analyses and to ensure the BALANCING AUTHORITY has the data needed to develop the NET SCHEDULED INTERCHANGE. This SAR is confined to the “what” and does not go into the “how.”

Comment:

Clarify in description that this applies to tagging and scheduling in the real time environment. (Duke Power)

Consideration:

The drafting team revised the Brief Description to explain that the SAR is to address coordination of INTERCHANGE TRANSACTIONS.

Comment:

The description assumes a solution to a problem that is not clearly defined. "...requirements for defining, assessing, confirming, and implementing interchange transactions.." are possible means to achieve some reliability objective. They are not the reliability objectives themselves and should not be presumed to be the only solutions to achieving an underlying reliability objective that is not clearly stated in this SAR. This standard as proposed will be difficult to measure and enforce. There are numerous procedures and requirements that may be required to facilitate the reliability needs, however, not all of them fall under the definition of a core Organization Standard that is measurable. NERC must distinguish these requirements from core Organization Standards and apply an appropriate standards development process for them. (Reliant Resources)

Consideration:

The SAR has been revised to more clearly identify its reliability objectives. The revised Brief Description should clarify that the SAR will only address the reliability-related components of data that must be exchanged between functions to support security studies and for developing NET SCHEDULED INTERCHANGE.

Comment:

The standard should only define the requirement to be met to maintain reliability. How the affected entities comply with the standard are business process issues that should be addressed by NAESB. (Mirant Americas Energy Marketing)

Consideration:

The SAR has been revised to more clearly identify its reliability objectives. The revised Brief Description should clarify that the SAR will only address the reliability-related components of data that must be exchanged between functions to support security studies and for developing NET SCHEDULED INTERCHANGE.

Comment:

Specification of data, communications, data could go beyond principles and expected results. Avoid descriptions on "how to do it".

Caution should be taken to define the principles, but not describe the operation of the ESC system. (Nova Scotia Power Inc.)

Consideration:

The SAR has been revised to more clearly identify its reliability objectives. The revised Brief Description should clarify that the SAR will only address the reliability-related components of data that must be exchanged between functions to support security studies and for developing NET SCHEDULED INTERCHANGE. This SAR addresses "what" data must be exchanged and doesn't go beyond that to require utilization of procedures that define "how to do it".

Comment:

Reduce the scope: Items such as data, communications and timing requirements should be defined in this SAR. However, establishing requirements for defining, assessing, confirming and implementing interchange transactions standards be developed in a process which takes into account market and reliability interests. (Allegheny Energy Supply)

Consideration:

The SAR should not include "how" the standard is to be achieved or "how" it is to be implemented but "what" performance is expected.

The standard may identify categories of data, communications, and agreements necessary for ensuring coordination prior to implementation of a TRANSACTION. The industry must decide what to include in the standard by submitting specific comments that identify the elements to be included. The SAR is not intended to address market interests. We expect that the market-related procedures used to support the coordination of INTERCHANGE will be addressed through a NERC/NAESB coordination effort.

Comment:

The SAR should not include "how" the standard is achieved or "how" it is implemented but "what" is expected.

Consideration:

We expect the standard will identify categories of data, communications, and agreements necessary for ensuring coordination prior to implementation of a TRANSACTION. The industry must decide what should be included in the standard by submitting specific comments on the SAR.

Comment:

(Eliminate) all references to HOW this standard would be met such as data, communications, and timing. These tend to be issues as to HOW to achieve the standard not what the standard should be. (Illinois Power Company)

Consideration:

The SAR should not include “how” the standard is to be achieved or “how” it is to be implemented but “what” performance is expected.

The standard may identify categories of data, communications, and agreements necessary for ensuring coordination prior to implementation of a TRANSACTION. The industry must decide what to include in the standard by submitting specific comments that identify the elements to be included. The SAR is not intended to address market interests. We expect that the market-related procedures used to support the coordination of Interchange will be addressed through a NERC/NAESB coordination effort.

Comment:

Reduce the Scope: eliminate references to commercial/business processes (Mirant Americas Energy Marketing)

Consideration:

The SAR is not intended to address commercial/business processes. If you feel that there is a specific commercial/business process that is being addressed by this SAR, please identify this in your written comments.

Comment:

Re-write description to include "...and timing requirements among Reliability and Balancing Functions." (California ISO)

Consideration:

Communication of timing is required between the BALANCING AUTHORITY, RELIABILITY AUTHORITY, TRANSMISSION PROVIDER, generators, and loads; timing must be agreed to by all functional entities. This SAR addresses timing as an element of data to be exchanged between involved functions, but doesn't address specific time constraints for accomplishing the coordination of TRANSACTIONS.

Comment:

The scope is too general. Interchange information should be coordinated at multiple levels including planning, scheduling, and balancing. (Ameren Services -Energy Delivery Technical Services)

Consideration:

The scope of the SAR is currently limited to addressing scheduled interchange as communicated between two or more functions. The functions included in the SAR are the RELIABILITY AUTHORITY, INTERCHANGE AUTHORITY, BALANCING AUTHORITY, TRANSMISSION SERVICE PROVIDER AND PURCHASING-SELLING ENTITY. If you feel that there are additional functions that should be addressed, please identify the functions and their associated tasks.

The SAR has been revised to more clearly identify its reliability objectives. The revised Brief Description should clarify that the SAR will only address the reliability-related components of data that must be exchanged between functions to support security studies and for developing NET SCHEDULED INTERCHANGE.

The drafting team revised the Brief Description to explain that the SAR is to address coordination of INTERCHANGE TRANSACTIONS.

Comment:

Add specific reliability-based rules governing tagging energy to exactly match energy flow (i.e. not allowing "gaming" the integrated MW-value for the hour). (NIPS (Northern Indiana Public Service Co.)

Consideration:

Matching energy is a function of the Balancing SAR and should be included as a comment to that SAR. This SAR addresses INTERCHANGE TRANSACTIONS as they affect INTERCHANGE SCHEDULES communicated between two or more Reliability Model functions.¹

This SAR does not address gaming. If gaming denotes a commercial activity then gaming should be addressed in the market monitoring process. This SAR addresses requirements regarding the coordination of individual TRANSACTIONS.

Comment:

The creation of a standard for the effective coordination of the interconnection is needed to address the way transmission business is conducted in our industry. Currently NERC policy 3 defines the interchange protocol that most of the industry subscribes to. But this protocol is not followed, defined, and implemented uniformly throughout the interconnection. This leads to isolated areas of confusion when balancing the interconnection and conducting business. We need consistent criteria that can be applied to large geographical areas, such as the three basic interconnections. Standards that address the implementation of One-Stop-Shop business, common timing requirements, products, and operational time need to be reviewed. (FirstEnergy Corp)

Consideration:

The NERC Board of Trustees directed that we focus on developing reliability-related standards. Standards that involve business practices and communications protocols will be developed by NAESB, and standards that involve both reliability and commercial practices will most likely be developed through a combined NERC/NAESB standards development process. NERC's reliability standards are intended to address 'What' performance must be accomplished, but aren't necessarily intended to identify 'How' to achieve that level of performance. NERC's Policy 3 goes beyond identifying 'What' performance to achieve, and includes 'How' to achieve that performance and includes some requirements that have an impact on markets as well as reliability – for these reasons Policy 3 is not a role model for the format of NERC's new reliability standards.

¹ The functions are identified in the Functional Model and include the RELIABILITY AUTHORITY, INTERCHANGE AUTHORITY, BALANCING AUTHORITY, PLANNING AUTHORITY, TRANSMISSION SERVICE PROVIDER, TRANSMISSION OWNER, TRANSMISSION OPERATOR, DISTRIBUTION PROVIDER, LOAD-SERVING ENTITY, and PURCHASING-SELLING ENTITY AND GENERATORS.

Comment:

Emphasize developing coordinated methods for determining how to handle roll-over rights and partial path reservations in planning models. (American Transmission Company)

Consideration:

This SAR is limited to the reliability-related aspects of coordinating TRANSACTIONS and is limited to identifying “What” performance should be achieved without delving into the specifics of “How” to achieve that performance. The underlying processes (such as how to determine roll-over rights) used to support the coordination of INTERCHANGE contain elements that relate to both reliability and commercial practices and need to be addressed in a joint NERC/NAESB standards development effort.

Comment:

Coordinating interchange should consider Automatic Generation Control (AGC) and Generation Rejection Schemes and their impact on interconnected systems. This indicates that in the Reliability Functions matrix, this Standard should also apply to generators. (Independent Electricity Market Operator (IMO))

Consideration:

AGC and Generation Rejection Schemes are tools that can be used to achieve a performance objective. NERC’s reliability standards are intended to identify ‘What’ performance should be achieved, without necessarily identifying ‘How’ to achieve that performance. In developing its new standards development process, industry participants clearly indicated that when NERC’s Policies and Standards delved into “How” to achieve performance, they sometimes had an unintended, adverse impact on markets.

New Detailed Description:

On the August 14 conference call Carolyn Ingersoll agreed to draft this section. The drafting team will consider Carolyn's draft language on our August 19 conference call.

Original Functions:		
X	Reliability Auth	Ensures the reliability of the bulk transmission system within its Security Authority Area. Highest reliability authority.
X	Balancing Auth	Integrates resource plans ahead of time, and maintains load-interchange-resource balance within its metered boundary and supports system frequency in real time
X	Interchange Auth	Authorizes valid and balanced Interchange Schedules
	Planning Auth	Plans the bulk electric system
X	Transmission Service Provider	Provides trans services to qualified market participants under applicable transmission service agreements
	Trans Owner	Owens transmission facilities
	Transmission Operator	Operates and maintains the transmission facilities, and executes switching orders
	Distribution Provider	Provides and operates the “wires” between the transmission system and the customer
	Generator	Owens and operates generation unit(s) or runs a market for generation products that performs the functions of supplying energy and Interconnected Operations Services
X	Purchasing-Selling Entity	The function of purchasing or selling energy, capacity and all necessary Interconnected Operations Services as required.
	Load-Serving Entity	Secures energy and transmission (and related generation services) to serve the end user

Summary Consideration of Comments on Applicable Functions:

The functions checked are the functions that would have performance requirements and associated compliance elements in the proposed standard. At this point, the functions that would have performance measures as part of this proposed standard are the RELIABILITY AUTHORITY, BALANCING AUTHORITY, INTERCHANGE AUTHORITY, TRANSMISSION SERVICE PROVIDER and PURCHASING-SELLING ENTITY. No performance requirements have been identified that are assigned to the PLANNING AUTHORITY, the GENERATOR or the LOAD-SERVING ENTITY.

Comment:

The Planning Authority has a role in that long term transactions factor into the planning for the transmission system. (Michigan Electric Coordinated Systems (MECS))

Consideration:

See the Drafting teams’ comment - Summary Consideration of Comments on Applicable Functions

Comment:

This is a process that should be part of Coordinate Operation. Even if this is kept as a SAR, additional entities such as the Generator and LSE should be included. (SERC)

Consideration:

See the Drafting teams' comment - Summary Consideration of Comments on Applicable Functions

Comment:

This standard should also apply to the Generator and Load-Serving Entities functions since those functions are the ultimate source and sink on interchange transactions. (American Transmission Company)

Consideration:

See the Drafting teams' comment - Summary Consideration of Comments on Applicable Functions

Original Reliability and Market Interface Principles	
Applicable Reliability Principles <i>(Put an 'x' in front of all that apply)</i>	
X	1. Interconnected bulk electric systems shall be planned and operated in a coordinated manner to perform reliably under normal and abnormal conditions.
X	2. The frequency of interconnected bulk electric systems shall be controlled within defined limits through the balancing of electric supply and demand
X	3. Information necessary for planning and operation of interconnected bulk electric systems shall be made available to those entities responsible for planning and operating the systems reliably
	4. Plans for emergency operation and system restoration of interconnected bulk electric systems shall be developed, coordinated, maintained and implemented
X	5. Facilities for communication, monitoring and control shall be provided, used and maintained for the reliability of interconnected bulk electric systems
	6. Personnel responsible for planning and operating interconnected bulk electric systems shall be trained, qualified and have the responsibility and authority to implement actions
X	7. The security of the interconnected bulk electric systems shall be assessed, monitored and maintained on a wide area basis
Does the proposed Standard comply with all of the following Market Interface Principles? <i>(Enter 'yes' or 'no')</i>	
	Yes
1. Interconnected The planning and operation of bulk electric systems shall recognize that reliability is an essential requirement of a robust North American economy	
2. An Organization Standard shall not give any market participant an unfair competitive advantage	
3. An Organization Standard shall neither mandate nor prohibit any specific market structure	
4. An Organization Standard shall not preclude market solutions to achieving compliance with that Standard	
5. An Organization Standard shall not require the public disclosure of commercially sensitive information. All market participants shall have equal opportunity to access commercially non-sensitive information that is required for compliance with reliability standards	

Comment:

Reliability Principle #6, "Personnel responsible for planning and operating interconnected bulk electric systems shall be trained, qualified and have the responsibility and authority to implement actions," should be applied to this standard. (American Transmission Company)

Consideration:

DRAFT RESPONSE BY GLS – Your comment will be referred to the Standards Authorization Committee and may be addressed in the Reliability Model’s certification process.

Summary Consideration of Comments on Commercial Practices:

The industry agrees that there are reliability issues in this SAR. The SAR is not intended to address commercial business processes, and we have tried to clarify this with the revisions made to the SAR. If you feel that there are any commercial business practices addressed with the revised SAR, please submit specific comments that identify these so we can make appropriate adjustments to the SAR.

Other Comments on Commercial Practices:

Comment:

This is NOT a reliability standard. It is purely commercial and should be the subject of a NAESB action. NERC, in its participation in the NAESB process can manage the indirect reliability issues as a part of that process. (Calpine)

Comment:

The existing NERC standard Policy 3 includes procedures for market participants to identify commercial transactions for reliability information. These procedures have profound impacts on market activity and should be developed with the NAESB process and filed at FERC for approval. (Reliant Resources)

Comment:

The establishment of this SAR is premature. All commercial implications of the SAR should be identified and mitigated prior to the drafting. (Electricity Consumers Resource Council (ELCON))

Comment:

The SAR needs to focus strictly on setting reliability measures related to coordinating interchange. The effort must be coordinated with any commercial standards which are developed. (Exelon Corporation)

Comment:

Many of the aspects discussed in SAR#7 seem to involve commercial business practices associated with scheduling transactions (or requesting transactions to be scheduled). We agree that there is a need to standardize the process by which interchange authorities implement interchange schedules. However, any attempt to standardize scheduling requirements to be imposed upon market participants would have significant commercial implications and should be vetted through the NAESB commercial business practice standards process. Hence, the standard should be modified to limit its scope to the purely reliability aspects of implementation of interchange schedules between interchange authorities. (Southern Company)

Comment:

The standard should only define the requirement to be met to maintain reliability. How the affected entities comply with the standard are business process issues that should be addressed by NAESB. (Mirant Americas Energy Marketing)

Comment:

This one needs a lot of work. Don't ignore the E-tag documentation nor the work of the ESC. Also must stay on top of the upcoming work of NAESB (Bonneville Power Administration - Power Business Line)

Consideration:

DRAFT RESPONSE BY GLS – Drafting Team memberS include members from the Interchange Subcommittee, who oversees Tagging, and the Electronic Scheduling Collaborative. The Drafting Team is aware of the need for coordination and staying abreast of other group's work.

Summary Consideration of Comments on FERC's Standard Market Design NOPR:

This SAR is limited to the reliability-related aspects of coordinating TRANSACTIONS and is limited to identifying "What" performance should be achieved without delving into the specifics of "How" to achieve that performance. As currently written, this SAR does not include any timing requirements.

The FERC SMD NOPR has been issued and we are reviewing the document to ensure that this standard will be consistent with FERC's ruling. We don't expect any of the requirements of the proposed standard to conflict with FERC approved tariffs. If you are aware of any conflicts, please identify these in your comments so we can address them more specifically......

Comments on FERC's Standard Market Design NOPR

Comment:

To the extent that this SAR is transitioning an existing standard from the old world to the new world (Functional Model), then the standard should not go beyond the original scope. Consistent with our general comments, once the clarity is achieved on Standard Market Design and RTO formations, then this standard should be revisited and reevaluated. (American Electric Power)

Comment:

The promulgation for comment of these SARs is premature. The industry "standard making process" is in a transition phase and it is overly burdensome to devote resources at this time. Once legislation or FERC firmly determines which entity(ies) is responsible for standards it will make sense to move forward with said entity.

Even if NERC wants to cover reliability standards, almost all standards have a reliability and commercial impact; thereby, necessitating developing a single process that incorporates both commercial and reliability aspects of standards development. The current NERC process risks being changed soon, discounts commercial aspects, and is not part of a finalized overall industry process.

Waiting a short while to move forward on a new standards setting process is acceptable and prudent given that NERC standards are currently in place and the industry can continue to use these standards until the new process and standards setting organization(s) are firmly set. (Baltimore Gas & Electric)

Comment:

The requirements in this standard should not conflict with the timing requirements, etc, in the FERC approved tariffs. (American Transmission Company)

Comment:

It is premature to continue development of this SAR until FERC has specified the organization to be responsible for the development of wholesale electric standards. (Public Service Electric & Gas)

Comments Suggesting this SAR be Combined with Other SARs:

Comment:

This SAR is to "ensure that the implementation of transactions are coordinated" by establishing requirements for defining, assessing, confirming and implementing interchange transactions. This shall include items such as data, communications, and timing requirements among Reliability Functions." This SAR is really the details for "how" to coordinate interchange and will define a "process" through business rules, E-Tag, data needs and timing requirements. This SAR is really part of "how" the industry will meet the SARs "Balance Resources and Demand" or "Coordinate Operations". However, we believe this is not a "core reliability" Organization Standard. (Energy Services)

Comment:

This is a process that should be part of Coordinate Operation. Even if this is kept as a SAR, additional entities such as the Generator and LSE should be included. (Progress Energy - Carolina Power & Light Company and Florida Power Corp.)

Comment:

This is a process that should be part of Coordinate Operation. Even if this is kept as a separate SAR, additional entities such as the Generator and LSE should be included. (SERC Compliance Subcommittee)

Comment:

There is a need to coordinate 'basic' transaction information (magnitude, start/end times, ramping duration) and those can be handled as part of the standard to Coordinate Operations.

Leaving this as an ad hoc proposal will lead to the creation of Business procedures and tools that should be outside the scope of Organization Standards. (MAAC)

Comment:

This is a process that should be part of Coordinate Operation. Even if this is kept as a SAR, additional entities such as the Generator and LSE should be included. (Progress Energy - Carolina Power & Light Company and Florida Power Corp.)

Comment:

This is a process that should be part of Coordinate Operation. Even if this is kept as a separate SAR, additional entities such as the Generator and LSE should be included. (SERC Compliance Subcommittee)

Consideration:

The Requestor has indicated a preference for revising this SAR and moving forward in parallel with the SARs that address Coordinate Operations. At this point in the Standards Development Process, the decision on whether to move forward, or withdraw the SAR is left up to the Requestor.

The industry comments indicate that there is a need for a reliability-related standard that addresses coordinating interchange. The SAR has been revised and we don't believe it currently contains any "how" requirements.

Comments Suggesting the Possibility of Regional Differences

Comment:

This SAR and the other posted SARs provide an appropriate framework for transitioning existing NERC Operating Policies and Planning Standards into new, NERC Organization Standards. Multiple compliance measures may be defined and developed for each of the eleven proposed Organization Standards. The Organization Standards and related compliance measures should focus on what functions must be performed for reliability, on who is responsible for each compliance measure for each required function and not, on how the compliance measure is achieved. The compliance measure must be measurable or demonstrable to ensure compliance.

It is necessary that there be a standard addressing interchange between Source and Sink Balancing Authorities. Interchange must be controlled and coordinated so that unscheduled flows are minimized to facilitate balancing of resources and demand (ref. SAR ID# BAL_RES_&_DEMND_01_01).

The Standard developed should recognize the different characteristics of interchange over free flowing synchronous ties and those over controlled interfaces (i.e. DC ties) between Balancing Authorities. These differences may justify different requirements for interchange over these interfaces. (ERCOT)

Comment:

HL&P supports ERCOT's comments regarding the appropriate scope and characteristics of this standard, if a standard is developed. (Reliant Energy HL&P)

Consideration:

Any regional difference that should be included in the scope of the proposed standard should be identified as early in the standard development process as possible.

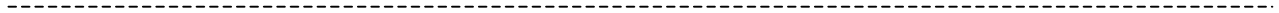
Comments Suggesting Consideration of Electronic Scheduling Collaborative

Comment:

Eliminate elements that overlap with the ESC. (Powerex)

Consideration:

A response needs to be developed



Coordinate Interchange SAR Drafting Team Issues List

Updated: 08/13/02

The Coordinate Interchange SAR Drafting Team, at their first meeting on August 6, 2002, identified a number of issues that require industry input to guide the team. Please provide comments to the following issues.

	Issue Description	Issue Identified
00-01	The team believes a NERC standard should not define the market within an RTO, but if a transaction crosses multiple RTOs; then, operations, including aspects of the market effects on operations, must be defined.	August 06, 2002 Meeting
00-02	Should the drafting team focus its work on intra-RTO seams and not inter-RTO seams?	August 06, 2002 Meeting
00-03	Should the standard simply ensure that the data is provided and that is it checked, verified, and everyone has agreed to the data?	August 06, 2002 Meeting
00-04	Should the standard simply ensure that data is provided to those functions that need to check, verify, and ensure that everyone, that needs to, agree with the data?	August 06, 2002 Meeting
00-05	The drafting team determined at the SAR Reliability Objective is for the Interchange Authority authorizes valid and net scheduled interchange and balanced interchange schedules to the Reliability Authority. Do you agree?	August 06, 2002 Meeting
00-06	Should this SAR address all parties who must validate the interchange transaction?	August 14, 2002 Conference Call
00-07		