

April 18, 2000

David P. Boergers  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington, DC 20426

Re: East Central Area Reliability Council, et al.  
Docket No. ER00-

Dear Mr. Boergers:

Enclosed for filing by the East Central Area Reliability Council (“ECAR”), on behalf of Allegheny Power<sup>1/</sup>, American Electric Power Co., Big Rivers Electric Corp., Cinergy Corp., Consumers Energy Co., The Dayton Power and Light Co., The Detroit Edison Co., Duquesne Light Co., East Kentucky Power Cooperative, Inc., FirstEnergy Corp., Hoosier Energy REC, Indianapolis Power and Light Co., LG&E Energy Corp., Northern Indiana Public Service Co., Ohio Valley Electric Corp., and Southern Indiana Gas and Electric Co., are an original and six copies of the “Inadvertent Settlement Tariff.”

Pursuant to Rule 205 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“FERC” or “Commission”), 18 C.F.R. § 385.205 (1997), ECAR hereby requests that the Commission approve the Inadvertent Settlement Tariff (“Tariff”) as described herein.<sup>1/</sup> The Tariff is intended to obligate each Party to make payment and to entitle each Party to receive compensation for Inadvertent Interchange from each other Party pursuant to ECAR’s Inadvertent Settlement Procedure.

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<sup>1/</sup> Allegheny Power is comprised of Monongahela Power Company, The Potomac Edison Company, and West Penn Power Company.

<sup>2/</sup> As to the three Control Areas in ECAR that are not subject to FERC jurisdiction under Sections 205 and 206 of the Federal Power Act (“FPA”); Big Rivers Electric Corp., East Kentucky Power Coop. and Hoosier Energy REC, this filing is being made solely for informational purposes and is not intended in any way to subject them to such jurisdiction.

Because ECAR is a voluntary organization, with no direct legal authority to compel adherence to reliability standards, ECAR and its members must rely on FERC to balance commercial needs, reliability, equity, and legal and policy objectives in restructured transmission markets. For these reasons, ECAR has developed an Inadvertent Settlement Procedure for its Control Areas.

Given that the ECAR Inadvertent Settlement Procedure was adopted through an extensive process in which all ECAR members were able to voice their concerns with the proposed procedures, and all ECAR Control Areas to which the Inadvertent Settlement Procedure will initially apply have joined in this filing, ECAR respectfully requests that the Commission waive its notice requirements and any other requirements of its Rules and Regulations to which this filing may not comply and accept this Tariff for filing to be effective as of June 1, 2000 for the 2000 peak summer season. ECAR believes that good cause exists for the granting of such waiver. ECAR anticipates that the Inadvertent Settlement Procedure will play a critically important role in maintaining the reliability of the Eastern Interconnection over this summer's peak season. Without such a procedure in place, ECAR believes that serious reliability problems are possible.

Sincerely,

Deborah A. Moss  
Counsel for East Central  
Area Reliability Council

Enclosures

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**Inadvertent Settlement Tariff**

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## I. INTRODUCTION AND SUMMARY

ECAR is one of the ten Regional Reliability Councils of the North American Electric Reliability Council (“NERC”). ECAR was established in 1967 to augment the reliability of its members’ electricity supply systems through coordination of the planning and operation of the members’ generation and transmission facilities. ECAR’s membership includes 29 major electricity suppliers located in nine east-central states serving more than 36 million people. ECAR encompasses 15 Control Areas all of which have agreed to participate in this filing.<sup>1/</sup>

Membership in ECAR is voluntary, and the current Full Members are those utilities whose generation and transmission have an impact on the reliability of the interconnected electric systems in the Region. Small electric utilities, IPPs, marketers who are active within the Region, and Full Members of other NERC Regions participate as Associate Members. The ECAR organization is comprised of an Executive Board, a Coordination Review Committee, a Market Interface Committee, nine technical advisory panels, and various working groups. Over 250 individuals drawn from all the Region’s members participate in carrying out the Region’s reliability mission. A small permanent staff located in Canton, Ohio provides coordination and technical support of the Region’s activities.

A dramatic transformation of the bulk electricity market in North America has taken place in a relatively short period of time. The volume of wholesale trading has increased markedly, perhaps as much as ten-fold, as has the transactional complexity associated with delivering electricity

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<sup>3/</sup> Allegheny Power, American Electric Power Co., Big Rivers Electric Corp., Cinergy Corp., The Dayton Power and Light Co., Duquesne Light Co., East Kentucky Power Cooperative, Inc., FirstEnergy Corp., Hoosier Energy Rec Inc., Indianapolis Power and Light Co., LG&E Energy Corp., Michigan Electric Coordinated Systems (Consumers Energy Co. and The Detroit Edison Co.), Northern Indiana Public Service Co., Ohio Valley Electric Corp. and Southern Indiana Gas and Electric Co.

from seller to buyer. The rapidly changing market conditions and the new rules established by the Commission present significant challenges to the electricity industry as it attempts to devise new ways of doing business that fully accommodate the needs of many differently situated market participants. There is no challenge more important than assuring system reliability.

Under a wholly vertically integrated structure, a system of voluntary cooperation and collaboration was able to ensure reliable operation of the electric grid. Indeed, that system served the nation extraordinarily well in ensuring both the adequacy and security of the electric power delivery system. As competition grows, however, and many new entities enter the market, it has become increasingly apparent that the industry can no longer rely on a voluntary approach for reliability management. In a competitive electric industry, the reliability rules of the road which govern all market participants should be clear, and applied uniformly and comparably. To ensure compliance with the reliability rules related to Inadvertent energy, some form of mandatory Inadvertent Settlement Procedure is needed. To maintain equity and comparability and to resolve disputes, review by an agency such as this Commission is also needed.

As the Commission is no doubt aware, from July 22, 1999 through July 30, 1999, the weather across the Eastern Interconnection reached record levels and electrical demand and transmission line flows were correspondingly high. There were extended periods when the frequency of the Eastern Interconnection was significantly below the standard of 60 Hz. During this time, hourly markets were reported to have hit their highest peak ever, reaching at least \$9,000/MWh.<sup>4/</sup>

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<sup>4/</sup> Cinergy's Brazen Taking From Grid Stuns Market, Prompts Drive For Penalties; Power Markets Week, November 22, 1999.

In its review of the reliability impacts of the performance of the ECAR Control Areas during the period from July 22, 1999 through July 30, 1999, ECAR believes that a small number of its Control Areas did not conform to NERC Policies and ECAR Documents and that the actions of one Control Area jeopardized the reliability of the interconnected network through its use for its own economic gain of “inadvertent” interchange.

Because such unacceptable performance is likely to reoccur as long as there are no financial disincentives for doing so, ECAR has worked to develop a mandatory Inadvertent Settlement Procedure that will greatly reduce, if not eliminate, any incentive that may have existed for ECAR Control Areas to take power off the grid without paying the true market value for that power. This Inadvertent Settlement Procedure, which will continue to evolve with the market, is the result of those efforts. Absent implementation of the ECAR Inadvertent Settlement Procedure this summer, reliability will be at risk. Moreover, the ECAR Inadvertent Settlement Procedure is the only approach to deal with Inadvertent Interchange currently under consideration before ECAR. While modifications to this procedure may be forthcoming, there is broad support for the overall approach embodied in the ECAR Inadvertent Settlement Procedure, and no currently implementable alternative has been developed to date.

## **II. DESIGNATION OF REPRESENTATIVES FOR SERVICE**

The names and mailing addresses of the persons who should be served with communications concerning this filing and all future matters in this proceeding are:

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ECAR requests that the above names be placed on the Commission's official service list in this proceeding.

### **III. BACKGROUND AND DESCRIPTION OF THE INADVERTENT SETTLEMENT PROCEDURE**

#### **A. Introduction**

The problem of Inadvertent Interchange is one that can only be addressed on a region-wide basis, at a minimum. It is not a problem that is susceptible to Control Area specific solutions. Further, because of the significant economic benefits that are associated with negative Inadvertent Interchange, (i.e., taking power off the grid without paying the true market value for that power) a voluntary solution to this problem will not work in today's competitive marketplace. A mandatory procedure is necessary. The ECAR Inadvertent Settlement Procedure provides a mechanism for dealing with Inadvertent Interchange that jeopardizes the reliability of the Eastern Interconnection and would apply, initially, to Control Areas within ECAR.<sup>5/</sup> By applying the Inadvertent Settlement

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<sup>5/</sup> Although this Tariff filing is being made solely on behalf of the Control Areas within ECAR, the Inadvertent Settlement Procedure can and, ECAR believes, should apply to all Control Areas in the Eastern Interconnection. As such, ECAR invites all Control Areas outside of ECAR, but within the Eastern Interconnection, to participate in this Inadvertent Settlement Procedure.

Procedure, the economic incentive to incur negative Inadvertent Interchange is removed in an equitable and non-discriminatory manner.

**B. The Physical Nature of the Electric System**

The electric supply and delivery system in the U.S. and Canada is composed of four Interconnections -- Eastern, Western, ERCOT, and Hydro-Québec. Each Interconnection consists of myriad generators and loads that are connected by a network of transmission lines and related equipment (transformers, circuit breakers, and the like). “Network” is a key word in this description, because the generators and loads are not connected one-on-one, but are instead tied to each other over a common grid of wires that are continuously and contiguously connected within the Interconnections’ borders. This network characteristic of the transmission system is one of the important factors that contributes to the high reliability of the electricity supply systems found in much of the world.

This network construction also means that controlling electricity flows over a particular transmission line is currently almost impossible because power flows distribute over the entire transmission network according to physical laws that are irrefutable.<sup>6/</sup> The actual power flow at any instant over any particular transmission line is dependent on three factors:

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<sup>6/</sup> Pursuant to Kirchoff’s law, electricity flowing over parallel circuits divides itself according to the inverse proportion of the impedance of the electrical conductors from source to load. Furthermore, the conductor’s impedance is not materially affected by the power flowing over the conductor. While phase shifting transformers and such other devices afford some such control, relatively few such devices are in service.

1. The magnitude and pattern of generation in the Interconnection (where the electricity is being produced, also known as “dispatch”);
2. The magnitude and pattern of the load in the Interconnection (where the electricity is being used); and
3. The impedance (resistance) of the transmission line, which is determined by the line’s physical characteristics.

**C. Inadvertent Interchange**

Inadvertent Interchange is the difference between the Control Area’s Net Actual Interchange and Net Scheduled Interchange. One hour is the smallest increment over which Inadvertent Interchange is commonly measured, and is termed Hourly Inadvertent Interchange. Negative values of Inadvertent Interchange denote a condition of undergeneration and positive values denote overgeneration. Net Actual Interchange is the algebraic sum of all metered interchange with physically adjacent Control Areas. Net Actual Interchange is positive for power leaving (delivered) a Control Area and negative for power entering (received) a Control Area. Net Scheduled Interchange is the net of all Interchange schedules with all adjacent Control Areas. It is, in essence, the scheduled interchange within the Interconnection.

Inadvertent Interchange can occur unintentionally as a result of control equipment malfunctions, telemetry errors, improper frequency bias settings, scheduling errors, inadequate generation under automatic control, general control performance deficiencies, or other factors contributing to inadequate control performance. Inadvertent Interchange can also occur intentionally when a Control Area chooses to pull power that does not belong to it off the interconnection rather than purchasing additional power when market prices are high.

Inadvertent Interchange can cause transmission system loading to reach unsafe operating limits, which may require curtailment of scheduled transmission uses or reauthorization of non-firm transmission to higher priority uses to prevent further loading of the constrained facilities. As the volume of unscheduled interchange increases, the amount of interchange available to maintain reliability and reduce transmission overloads decreases because unscheduled interchange is not part of the known interchange. These situations must be minimized to maintain reliability.

**D. Development of the ECAR Inadvertent Settlement Procedure**

During July 22, 1999 through July 30, 1999, there were extended periods when the frequency of the Eastern Interconnection was significantly below the standard of 60 Hz. To determine the cause of this low frequency situation, NERC's Performance Subcommittee requested Area Interchange Error ("AIE") surveys for nine peak hours during this period.<sup>1/</sup> For the ECAR Control Areas, the results of this NERC survey indicate that at least one ECAR Control Area used the Eastern Interconnection as a supplemental resource. This sustained dependency over a substantial period was the major contributor to the low frequency experienced by the Eastern Interconnection during this period. The absence of any procedure to require payment for such inadvertent interchange, coupled with a top price of power of at least \$9,000/MWh during this period, resulted in some Control Areas taking tens of millions of dollars worth of power at significantly lower than market cost while others purchased power at very high market prices in order to comply with NERC Policies and ECAR

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<sup>1/</sup> Attachment A.

Documents.<sup>1/</sup> Clearly, this is a strong economic incentive to disregard NERC Policies and ECAR Documents, jeopardizing the reliability and integrity of the Eastern Interconnection, rather than adjusting generation, scheduled interchange or load.

If, in the future, other Control Areas follow this bad example by deciding that it is good economic policy to intentionally “lean on the tie lines” when power purchases are costly, the reliability of the Eastern Interconnection is in serious jeopardy. To address this serious reliability situation, the ECAR Executive Board adopted a resolution that called for ECAR, among other actions, to develop a

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<sup>8/</sup> In particular, there is an incentive to disregard NERC Policy 5 and ECAR Documents 2 and 3. For example, NERC Policy 5 requires that a Control Area which has experienced an operating capacity emergency to promptly balance its generation and interchange schedules to its load, without regard to financial cost, to avoid prolonged use of the assistance provided by Interconnection frequency bias. The emergency reserve inherent in frequency deviation is intended to be used only as a temporary source of emergency energy and is to be promptly restored so that the interconnected systems will be prepared to withstand the next contingency. A Control Area unable to balance its generation and interchange schedules to its load has the responsibility to remove sufficient load to permit correction of its Area Control Error.

mechanism for dealing with Inadvertent flows that jeopardize the reliability of the Interconnection by the summer of 2000.<sup>2/</sup>

A resolution was also introduced by the MAIN Reliability Council at the November 16 - 17, 1999 NERC Security Committee meeting requesting NERC to monitor, in real time, the Area Control Error of every Control Area in the Eastern Interconnection. Poor performance during the AIE survey period was given as a primary reason such monitoring is needed. The NERC Security Committee adopted this resolution and assigned it to the NERC Performance Subcommittee for implementation.

The task of developing ECAR's Inadvertent Settlement Procedure was delegated to the Inadvertent Payback Task Force by the ECAR Executive Board. Input on all aspects of the initial proposal that was developed by this Task Force was solicited from the Executive Board, the Coordination Review Committee, and the Market Interface Committee, all of which are made up of individuals drawn from all the Region's members. Numerous changes to the initial proposal were made as a result of such input. ECAR believes that, given the input it has already sought and obtained on the Inadvertent Settlement Procedure from the various ECAR member representatives, and the support of the ECAR Control Areas to which the Inadvertent Settlement Procedure would initially apply, it can be said to represent a reasoned and well-supported approach to developing a reliability safeguard that makes sense and is equitable and workable.

**E. How the Inadvertent Settlement Procedure is Implemented**

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<sup>2/</sup> Attachment B.

The Inadvertent Settlement Procedure is triggered whenever the hourly average Eastern Interconnection Frequency, as determined by American Electric Power Service Corporation's ("AEP") Control Area dispatchers, has been below 59.97 Hz for two successive hours.<sup>10/</sup> The Inadvertent Settlement Procedure will be in effect for the first hour that the hourly average Eastern Interconnection Frequency is below 59.97 Hz and will stay in effect until the average Eastern Interconnection frequency recovers to 59.98 Hz. However, because it is a difficult and time-consuming accounting task to balance Inadvertent Interchange in the Eastern Interconnection, payment/compensation will not be computed by ECAR until the Inadvertent Interchange accounts are balanced and agreed to by all ECAR Control Areas.

Once the Inadvertent Interchange is balanced by the NERC Performance Subcommittee using standard NERC Inadvertent Interchange balancing procedures, ECAR will request hourly scheduled Interchange and hourly actual Interchange data from all ECAR Control Areas for the period during which the Inadvertent Settlement Procedure was in effect.

Using this data, ECAR will establish which Control Areas were short and which Control Areas were long within ECAR for all hours during which the Inadvertent Settlement Procedure was in effect. A Short Party is a Control Area that has negative Inadvertent Interchange and whose Inadvertent Interchange for the hour is less than its  $-L_{10}$ . A Long Party is a Control Area that has a positive Inadvertent Interchange for the hour.

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<sup>10/</sup> AEP is the designated Eastern Interconnection monitor pursuant to NERC Policy 1.

ECAR will then establish proportionally the number of MW to be assigned to each Long Party from each Short Party. If the sum of the short positions is greater than the sum of the long positions, the Inadvertent Interchange of the Short Parties will be reduced pro-rata to match the sum of the long positions being compensated (ECAR Control Areas with positive Inadvertent Interchange would be made whole on MWh). If the sum of the long positions is greater than the sum of the short positions, the positive Inadvertent Interchange of the Long Parties will be reduced pro-rata to match the sum of the short positions (ECAR Control Areas with positive Inadvertent Interchange will be compensated for their MWh's up to the total of the negative Inadvertent within ECAR).

All ECAR Payment/Compensation Calculations will be made using the higher of the Long Party's top incremental cost (i.e., highest purchase price for power or highest generating unit cost) or its highest sales price during the applicable hour, plus a 10% adder to incent appropriate behavior, as the price of power for each hour when the Inadvertent Settlement Procedure is in effect. This dollar amount will be offset, using \$15/MWh as the price of power when it is repaid in kind to the interconnected system, to reflect existing NERC Energy Settlement Procedures. Absent dispute, there will be no price discovery. Price verification/documentation will remain confidential among Short and Long Parties. Sample Payment/Compensation Calculations for one hour under the Inadvertent Settlement Procedure are provided in Attachment C.

ECAR will provide its Inadvertent Payback Payment/Compensation Calculations to the ECAR Control Areas within 20 business days after NERC balances the Inadvertent Interchange for the month in which the Triggering Event occurred.

#### IV. COMMISSION INVOLVEMENT IN DISPUTE RESOLUTION

The Inadvertent Settlement Tariff requires Parties to use the ECAR Dispute Resolution Procedure, which is attached hereto as Attachment D in the event of any disputes arising with respect to application of the Inadvertent Settlement Procedure. In other words, if ECAR determines that a Control Area is due compensation or should be assessed payment pursuant to the Inadvertent Settlement Procedure, that Control Area may challenge such determination through ECAR's Dispute Resolution Procedure.

The ECAR Dispute Resolution Procedure calls for mandatory mediation before a mediator that is appointed by the Chair of the Executive Board. Binding arbitration is voluntary, and may be undertaken only after mediation, if necessary. Where an entity subject to FERC jurisdiction under FPA sections 205 and 206 is involved, either party may appeal a decision of the arbitrator to the Commission.<sup>11/</sup> Given the absence of any discretion in ECAR's Payment/Compensation Calculations, ECAR would not expect that the Commission would be called on to hear many appeals of ECAR's determinations under the Inadvertent Settlement Procedure.<sup>12/</sup>

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<sup>11/</sup> Other Parties would be able to challenge decisions of arbitrators in a court of competent jurisdiction.

<sup>12/</sup> Issues related to the reasonableness of the underlying Inadvertent Settlement Procedure would not properly be the subject of such appeals. Any person concerned that the Inadvertent Settlement Procedure is not just and reasonable can make his or her views known to the Commission in connection with the Commission's consideration of this Tariff, and in the future would be free to file a complaint with the Commission under Section 206 of the FPA.

## V. CONCLUSION

For the reasons stated herein, the ECAR respectfully requests that the Commission issue an order approving this Inadvertent Settlement Tariff. ECAR also respectfully requests that the Commission waive its notice requirements and any other requirements of its Rules and Regulations to which this filing may not comply and accept this Tariff for filing to be effective as of June 1, 2000 for the 2000 peak summer season. ECAR believes that good cause exists for the granting of such waiver. ECAR anticipates that the Inadvertent Settlement Procedure will play a critically important role in maintaining the reliability of the Eastern Interconnection over this summer's peak season. Without such a procedure in place, ECAR believes that serious reliability problems are possible.

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April 18, 2000

Enclosures

# **INADVERTENT SETTLEMENT TARIFF**

April 18, 2000

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## ARTICLE 1 - GENERAL PURPOSES

- 1.1 The purpose of this Tariff is to set forth the terms and conditions obligating each Short Party to make payment and entitling each Long Party to receive compensation for Inadvertent Interchange to/from each other Party pursuant to ECAR's Inadvertent Settlement Procedure.

## ARTICLE 2 - DEFINITIONS

The following words and terms as used herein shall be understood to have the meanings set forth below.

- 2.1 "Area Control Error" (ACE) means the instantaneous difference between actual and scheduled interchange.
- 2.2 "Commission" or "FERC" means the Federal Energy Regulatory Commission or such successor regulatory agency as may have jurisdiction over this Tariff.
- 2.3 "Control Area" means an electric system bounded by interconnections (tie-lines) metering and telemetry which controls generation directly to maintain its Interchange Schedule with other Control Areas and contributes to frequency regulation of the Interconnection.
- 2.4 "ECAR" means the East Central Area Reliability Council.
- 2.5 "ECAR Inadvertent Settlement Procedure" means the payment/compensation mechanism that has been developed by ECAR to remove the economic incentive to incur negative Inadvertent Interchange.
- 2.6 "Eligible Entity" means any Control Area in the Eastern Interconnection.
- 2.7 "Energy" means the amount of electric energy that a Party is Long or Short in any hour or in the aggregate.
- 2.8 "Inadvertent Interchange" means the difference between a Control Area's Net Actual Interchange and Net Scheduled Interchange. Negative values of Inadvertent Interchange denotes a condition of undergeneration and positive Inadvertent Interchange denotes a condition of overgeneration
- 2.9 "Interconnection" means any one of the three bulk electric system networks in North America: Eastern, Western, and ERCOT.
- 2.10 " $L_{10}$ " means the Control Area performance bounds set for each Control Area by NERC. An ACE above  $+L_{10}$  or below  $-L_{10}$  is non-compliant to CPS2.

- 2.11 “Long Party” means a Control Area with Positive Inadvertent Interchange for the hour.
- 2.12 “NERC” means the North American Electric Reliability Council.
- 2.13 “NERC Control Performance Standard” (CPS2) means the NERC requirement that a Control Area’s average ACE for each of the six ten-minute periods during an hour be within its L<sub>10</sub>.
- 2.14 “Party” or “Parties” means a Control Area that has an Inadvertent Settlement Tariff on file with the Commission.
- 2.15 “Payment/Compensation Calculations” means the determinations, by ECAR, of the number of MWs to be assigned to each Long Party from each Short Party pursuant to ECAR’s Inadvertent Settlement Procedure.
- 2.16 “Short Party” means a Control Area with Inadvertent Interchange of less than -L<sub>10</sub> for the hour.
- 2.17 “Triggering Event” means when the hourly average Eastern Interconnection Frequency, as determined by American Electric Power Service Corporation’s Control Area dispatchers, has been below the 59.97 Hz for two successive hours.

### ARTICLE 3 - APPLICABLE INTERCHANGE

#### 3.1 Inadvertent Interchange

This Tariff shall apply solely to Inadvertent Interchange transactions for which payment must be made or compensation is due pursuant to the ECAR Inadvertent Settlement Procedure.

### ARTICLE 4 - OPERATION OF ECAR’S INADVERTENT SETTLEMENT PROCEDURE

#### 4.1 Triggering Events

The Inadvertent Settlement Procedure is triggered whenever the hourly average Eastern Interconnection Frequency, as determined by American Electric Power Service Corporation’s (“AEP”) Control Area dispatchers, has been below 59.97 Hz for two successive hours.<sup>13/</sup> The Inadvertent Settlement Procedure will be in effect for the first hour that the hourly average Eastern Interconnection Frequency is below 59.97 Hz and will stay in effect until the average Eastern Interconnection frequency recovers to 59.98 Hz. However, because it is a difficult and time-

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<sup>13/</sup> AEP is the designated Eastern Interconnection monitor pursuant to NERC Policy 1.

consuming accounting task to balance Inadvertent Interchange in the Eastern Interconnection, payment/compensation will not be computed by ECAR until the Inadvertent Interchange accounts are balanced and agreed to by all ECAR Control Areas.

#### 4.2 Short and Long Party Determinations

Once the Inadvertent Interchange is balanced by the NERC Performance Subcommittee using standard NERC Inadvertent Interchange balancing procedures, ECAR will request hourly scheduled Interchange and hourly actual Interchange data from all ECAR Control Areas for the period during which the Inadvertent Settlement Procedure was in effect. Using this data, ECAR will establish which Control Areas are short and which Control Areas are long within ECAR for each hour during which the Inadvertent Settlement Procedure was in effect. A Short Party is a Control Area whose Inadvertent Interchange is negative and is less than its  $-L_{10}$  for the hour. A Long Party is a Control Area that has a positive Inadvertent Interchange for the hour.

#### 4.3 ECAR Payment/Compensation Calculations

ECAR will then establish proportionally the number of MW to be assigned to each Long Party from each Short Party. If the sum of the short positions is greater than the sum of the long positions, the Inadvertent Interchange of the Short Parties will be reduced pro-rata to match the sum of the long positions being compensated (ECAR Control Areas with positive Inadvertent Interchange would be made whole on MWh). If the sum of the long positions is greater than the sum of the short positions, the positive Inadvertent Interchange of the Long Parties will be reduced pro-rata to match the sum of the short positions (ECAR Control Areas with positive Inadvertent Interchange will be compensated for their MWh's up to the total of the negative Inadvertent within ECAR).

#### 4.4 Positive Inadvertent Interchange Pricing

All Payment/Compensation Calculations will be made using the higher of the Long Party's top incremental cost (i.e., highest purchase price for power or highest generating unit cost) or its highest sales price during the applicable hour, plus a 10% adder to incent appropriate behavior, as the price of power for each hour when the Inadvertent Settlement Procedure is in effect. This dollar amount will be offset, using the \$15/MWh as the price of power when it is repaid in kind to the interconnected system, to reflect existing NERC Energy settlement procedures. Absent dispute, there will be no price discovery. Price verification/documentation will remain confidential among Short and Long Parties. Sample Payment/Compensation Calculations for one hour under the Inadvertent Settlement Procedure are provided in Attachment C.

## ARTICLE 5 - RECORDS, BILLING AND PAYMENTS

### 5.1 Records

All Parties shall keep such records as may be needed to afford a clear history of all transactions under this Tariff. The originals of all such records shall be retained by the Party developing the original records and copies shall be delivered to the other Party upon request.

### 5.2 Billing Record

Unless otherwise agreed upon, the calendar month shall be the standard billing period for all settlements under this Tariff. ECAR will provide its Payment/Compensation Calculations to each Party within twenty (20) business days after NERC balances the Inadvertent for the month in which the Triggering Event occurred.

### 5.3 Timeliness of Payment

Unless otherwise agreed upon, all bills for Negative Inadvertent Interchange under this Tariff shall be due and payable on the tenth (10) day from the date of rendering a bill, or the first banking day thereafter if the payment day falls on other than a banking day. Payment of such bills shall be made by electronic transfer or by such other means as shall cause such payment be available for the use of the payee on or before the date due. Interest on unpaid amounts shall accrue from the date due until the date upon which payment is made, at an annual percentage rate of interest equal to the lesser of (i) the prime rate published by the Wall Street Journal (which represents the base rate on corporate loans posted by at least 75% of the nation's banks) on the due date, plus 2%, or (ii) the highest rate permitted by law.

### 5.4 Disputed Bills

In the event a Short Party wishes to contest a portion of a billed amount, said Short Party shall pay the portion of the bill that is not being contested, pursuant to Subsection 5.3 above. Interest shall accrue on the unpaid portion of the bill at the rate specified in Subsection 5.3 while resolution of contested amounts is pending. Either Party may seek resolution, pursuant to the provisions of Article 5.3 of any disputes which cannot be resolved in the normal course of business.

### 5.5 Billing Adjustments

Other than as required by law or regulatory action, requests by either Party for refunds on or adjustments regarding any transaction must be made by the requesting Party within twelve (12) months of the receipt of the initial bill for such transaction.

## 5.6 Defaults

In the event a Short Party fails to make timely payment in accordance with this Article 5, and such failure is not corrected within fifteen (15) calendar days after notification to cure such failure, a default shall be deemed to exist. Upon the occurrence of a default, a Long Party may initiate any regulatory or legal proceeding to enforce this Tariff.

## ARTICLE 6 - DISPUTES AND DISPUTE RESOLUTION

### 6.1 Disputes

In the event of a dispute between a Long Party and a Short Party arising out of or in connection with this Tariff, the Party with a matter it wishes to dispute shall abide by the ECAR Dispute Resolution Procedure.

### 6.2 Expenses

Each Party shall pay for its own expenses. If there is arbitration, all other costs incurred in connection with such arbitration shall be paid in equal parts by the Parties, unless the award shall specify a different division of the costs.

### 6.3 Other Tariff Provisions

The Parties agree that the provisions of this Article 6 notwithstanding, matters which are the subject of Article 7 shall not be submitted to Arbitration.

## ARTICLE 7 - GENERAL

### 7.1 Term and Termination

This Tariff shall be effective as of the date specified by order of the FERC or any regulatory authority having jurisdiction, and it shall remain in effect until terminated or superseded by an action or notice of cancellation of the Tariff being accepted for filing by the FERC or successor regulatory agency having jurisdiction.

The applicable provisions of this Tariff shall continue in effect after termination or cancellation thereof to the extent necessary to provide for final billing, billing adjustments and payments.

### 7.2 Regulatory Authorities

This Tariff is made subject to the jurisdiction of any governmental authority or authorities having jurisdiction in the premises. Nothing contained in this Tariff shall be construed as affecting in any way, the right of any Party to unilaterally make application to FERC for a change in rates, charges, classification, service or any rule, regulation or contract relating thereto under Section 205 of the Federal Power Act and pursuant to the Commission Rules and Regulations promulgated thereunder, except that changes to this Tariff may only be proposed by ECAR on behalf of the Parties thereto.

### 7.3 Waivers

Any waiver at any time of any rights as to any default or other matter arising hereunder shall not be deemed a waiver as to any subsequent default or matter. Any delay, short of exceeding any applicable statute of limitation, in asserting or enforcing any right hereunder shall not be deemed a waiver of such right.

### 7.4 Limitation of Liability

No Party hereto shall be liable for any consequential, incidental, punitive or other special damages relating to this Tariff or any transaction hereunder.

No other entity is intended to be a third party beneficiary under this Tariff and no cause of action, whether in tort, contract, or otherwise, may be based in whole or in part upon breach of this Tariff by any entity other than a Long Party or a Short Party.

### 7.5 Continuation of Tariff Provisions

If any one or more provisions contained herein shall be finally determined by any regulatory authority or court of competent jurisdiction to contravene, or be invalid under, any applicable provision of law, such contravention or invalidity shall not invalidate this Tariff, but this Tariff shall be construed as if not containing such provision or provisions and the rights and obligations of the Parties shall be construed and enforced accordingly. In the event that an occasion shall arise requiring that this Tariff be construed as if not containing a particular provision or provisions as aforesaid and the effect thereof shall be to impose on any Party an obligation other than those herein provided (except for changes in rates or charges), the Parties will negotiate in good faith to provide a substitute for such provision or provisions, but no such substitute shall be binding on either Party unless stated expressly in a written document executed and delivered by each of the Parties to such agreement and filed with and accepted for filing by such regulatory authorities as shall have jurisdiction.

### 7.6 Written Notices

Any written notice required or appropriate hereunder shall be deemed properly made, given to, or served on the Party to which it is directed, when sent by United States mail, postage prepaid. Any written notice required or appropriate hereunder may also be sent by electronic means.

7.7 Assignment

The rights of any Party pursuant to this Tariff shall not be assigned, pledged or otherwise transferred without the prior written consent of the other Parties. Said consent shall not be unreasonably withheld. In the event of such mutually agreed assignment, any such assignee or transferee shall be required to assume all of the obligations of the assignor or transferor under this Tariff pursuant to a written agreement which is acceptable to the non-assigning Parties.

7.8 Governing Law

The interpretation of this Tariff shall be governed by the laws of the state where the Short Party's corporate headquarters is located and any actions with respect thereto may be brought only in a court of competent jurisdiction in the state where the Short Party's corporate headquarters is located.

7.9 Section Headings

The descriptive headings of the various Articles and Sections of this Tariff have been inserted for convenience of reference only and shall not modify or restrict any of the terms and provisions thereof.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, D.C. this 18th day of April 2000.

Deborah A. Moss

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

	)	
<b>East Central Area Reliability</b>	)	<b>Docket No. ER00-__-000</b>
<b>Council, <u>et al.</u></b>	)	

Notice of Filing

Take notice that on April 18, 2000, the East Central Area Reliability Council ("ECAR"), on behalf of Allegheny Power, American Electric Power Co., Big Rivers Electric Corp., Cinergy Corp., Consumers Energy Co., The Dayton Power and Light Co., The Detroit Edison Co., Duquesne Light Co., East Kentucky Power Cooperative, Inc., FirstEnergy Corp., Hoosier Energy REC, Indianapolis Power and Light Co., LG&E Energy Corp., Northern Indiana Public Service Co., Ohio Valley Electric Corp., and Southern Indiana Gas and Electric Co., submitted for filing an Inadvertent Settlement Tariff that is intended to obligate each Party to make payment and to entitle each Party to receive compensation for Inadvertent Interchange from each other Party pursuant to ECAR's Inadvertent Settlement Procedure. ECAR also requests that the Commission act on this filing by no later than May 31, 2000, and permit the Inadvertent Settlement Tariff to go into effect by June 1, 2000 for the 2000 peak summer season. The filing is available on the ECAR's web site ([www.ecar.org](http://www.ecar.org)).

Any person desiring to be heard or to protest said filing should file a motion to intervene or protest with the Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, DC 20426, in accordance with Rules 211 and 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. §§ 385.211, 385.214 (1998). All such petitions or protests should be filed on or before \_\_\_\_\_. Protests will be considered by the Commission in determining the appropriate action to be taken, but will not serve to make protestants participants to the proceeding. Any person wishing to become a party must file a motion to intervene. Copies of this filing are on file with the Commission and are available for public inspection.

David P. Boergers  
Secretary

**Attachment A**  
**NERC's Area Interchange Error ("AIE") Surveys**

**Attachment B**  
**ECAR Executive Board Resolution**

**Attachment C**  
**Sample Payment/Compensation Calculations**

**Attachment D**  
**ECAR Dispute Resolution Procedure**