

Initial Standard Review and Analysis Report

NAESB WEQ Executive Committee Standards Review Subcommittee March 26, 2003

The initial Standard Review and Analysis Report provides information for the NAESB Wholesale Electric Quadrant (WEQ) to make informed decisions on the disposition of a proposed standard that impacts the wholesale electric industry. The Standards Review Subcommittee provides this Report as an initial review of a proposed Standard that may impact current or future NAESB Wholesale Electric Quadrant standards. This Report contains no recommendations to develop or propose a NAESB Standard. A White Paper may be developed to propose a NAESB standard if the WEQ finds it necessary.

This **Initial Standard Review and Analysis Report** reviews the following standards:

Proposing Organization(s):

North American Electric Reliability Council (NERC)

Proposed Standard(s):

1. **“Coordinate Operations,” - Standards Authorization Request (SAR)**
2. **“Coordinate Interchange Transactions, 01-03” - Standards Authorization Request (SAR)**

1. SAR “Coordinate Operations,” posted March 20, 2002.

Description and Background

This SAR applies to NERC Reliability Authorities. Reliability Authorities (formerly “Security Coordinators”) are RTOs and regional reliability organization functions that are responsible for ensuring the reliability of the bulk transmission system within its “Security Authority Area.” Reliability Authorities oversee Balancing Authorities, transmission providers, and other entities responsible for grid reliability.

The proposed Standard would establish requirements for the coordinated operation between RA’s for near-term operational planning, real-time operations, and maintenance of the interconnected bulk electric system.

This standard will address the following areas:

- Documenting the RAs authority to assist in resolving impacts its Security Authority Area has on another system
- Developing and Sharing Unique Operating Procedures

- Analyzing Maintenance Outages
- Performing Security Analyses
- Performing Generation Resource Availability Analyses
- Sharing Results of Analyses
- Communicating with Others
- Acting with Others

Potential business practice standards and related impacts

The SAR impacts the following NAESB activities/standards:

- None identified.

The SAR raises the following possible business practice concerns:

- Since most RA's will have authority over a single market, business practices may need to be developed or existing practices may need to be modified in order to resolve conflicts between differing business practices employed by an RA's jurisdictional area.
- Business practices may need to be established or existing business practices may need to be altered to implement unique operating procedures required for reliability, especially inter-RA procedures.
- The NERC Standard may establish obligations on owners of generators for generation availability and maintenance outages.
- Differing degrees and types of RA authority (e.g., RTO tariff, RRO contract) over generation availability and outage timing, may impact commercial markets in various ways.
- Possible overlaps with current and pending FERC rules on generation interconnection.
- Potential confidentiality of business information issue associated with generation availability and maintenance outages and other information needed by an RA.

2. SAR "Coordinate Interchange Transactions, 01-03" posted March 20, 2002.

Description and Background

This standard would pertain to "interchange transactions." Interchange transactions are scheduled transfers of energy between balancing authorities that, in effect, agree to increase net generation output in the source area at the same time and rate as net generation output in the receiving areas is reduced. The standard is intended to ensure reliability related data pertaining to interchange transactions is verified and communicated to functional authorities. Reliability related data to be verified should include megawatt magnitude, ramp start and stop times, and the interchange transaction's

duration. Reliability related data should be communicated by and between the Interchange Authority, Balancing Authority, Reliability Authority, Transmission Service Provider, and Purchasing-Selling Entity functions.

Verification of data should indicate that a mutual agreement exists between parties that intend to implement a proposed interchange transaction as well as approval by the appropriate functional authorities. The standard also is intended to provide a mechanism for transaction identification that could be used for congestion management and/or relieving operating limit violations.

The purpose of the standard is to ensure that the implementation of Transactions between Sink and Source Balancing Authorities are coordinated by the Interchange Authority such that the following reliability objectives are met:

- Each Interchange Schedule is checked for reliability before it is implemented
- The Balancing Authorities implement the Interchange Schedule exactly as agreed upon in the Interchange Confirmation process
- Interchange Schedule information is available for reliability assessments.

Potential business practice standards and related impacts

The SAR impacts the following NAESB activities/standards:

- There may be impacts on the efforts underway by the NAESB Electric Trading Task Force which is evaluating the need for a standard electric trading day and related timetables.

The SAR raises the following possible business practice concerns:

- The SAR states that “Portions of Policy 3 will be deleted when this SAR is implemented. Policy 3 contains some procedures that may need to be transformed from Policies into commercial practices or supporting documents in concert with the implementation of this new standard.
- The standard could alter or restrict ramp rates for generators engaged in transactions between Balancing Authorities.
- The standard could impose data entry and verification requirements on Purchasing-Selling Entities.
- The standard could implicate transmission reservation, scheduling and purchasing transactions between generators, merchants, and transmission providers, including verification, credit, and penalty implications.
- The standard could alter or affect inter-RA transactions, especially those between LMP markets and non-LMP markets or different LMP markets.