

"DOLLARS TIMES FREQUENCY ERROR"

This is the frequency adder to the unit price for inadvertent energy. Actually it's "*Minus* dollars times frequency error". In other words, when overfrequency, the adder is negative (in the spirit of Al DiCaprio's original proposal); when underfrequency, the adder is positive. When overfrequency, the adder is subtracted from the energy price. When underfrequency the adder is added to the energy price. These are the proper incentives: when overfrequency, discourage generation and encourage load; when underfrequency, encourage generation and discourage load.

The "dollars" is some fixed per-MW amount that Howard Illian says he can establish on a cost basis.

NO CALCULATION OF FCC OR PRICING OF FCC IS NEEDED. Only Inadvertent Interchange and frequency are needed. This adder is consistent with the FCC of the JIIF White Paper but if, instead of FCC, we focus on simple Inadvertent Interchange, and back that out of the value of FCC, what's left is the hourly frequency contribution price of Inadvertent Interchange. That turns out to be the very simple "dollars times frequency error" adder to the unit price of hourly Inadvertent Interchange.