

Robert Blohm proposes the following 4 motions for discussion and vote at the October 6<sup>th</sup>, 2003, IIPTF meeting.

[Terminological note: herein "Balancing Authority" designates every NERC-certified Balancing Authority or entity designated with approval by NAESB to settle Inadvertent for the Balancing Authority]

Motion 1. WHEREAS

IIPTF members cannot be deemed responsible for judging on their own the ultimate economic/market workability of the motions they are voting on,

THE IIPTF RESOLVES

to seek funds from any available government or private source to subject any Standard the IIPTF proposes/agrees on, first to rigorous testing at an established economics lab before final adoption by NAESB and submission to FERC.

Motion 2. WHEREAS

(a) Balancing Authorities become exposed to "back-to-back"\* settlement risk and "cross-default"\*\*\* risk if they contract as "middlemen" with their neighbors in bilateral "pass-throughs" of others' sourced or sinked Inadvertent Interchange, and whereas

(b) the amount of bilateral "pass-throughs" of Inadvertent Interchange exceeds by a big multiple the amount of bilateral sourcing or sinking,

THE IIPTF RESOLVES

to define a Balancing Authority's Inadvertent Interchange as its Inadvertent Interchange "with the Interconnection", said Inadvertent Interchange being necessarily limited to that Inadvertent of which the Balancing Authority is either just the bilateral source or just the bilateral sink.

2 footnotes to Motion 2:

\*"Back-to-back" settlement risk is the risk that the intermediary is not paid by his paying counterparty, but that the intermediary still has to pay his collecting counterparty to a pass-through transaction in which the intermediary is a principal, not an agent..

\*\*"Cross-default" occurs when non-payment by an intermediary's paying counterparty entitles the intermediary not to pay his collecting counterparty either.

Motion 3. WHEREAS

the energy price charged for electricity

(a) differs between Balancing Authorities and

(b) may or may not reflect congestion but

(c) does not reflect the Inadvertent Interchange's contribution to frequency control,

THE IIPTF RESOLVES

that the parties to an Inadvertent Interchange of energy be charged or paid for that energy component of their Inadvertent Interchange at their own prevailing energy price (as determined in a separate motion, such as Motion 4), with any excess or deficit of funds "exchanged" accruing to the Interconnection/clearinghouse as adjustments to an operating fund it manages that is financed on the joint faith and credit of the combined Balancing Authority members of the Interconnection, with any distribution of surplus funds made on a pro-rata basis to all the Balancing Authority members of the Interconnection, such as generation-share, load-share, or NERC-defined "bias" share, as may be determined by the IIPTF in a subsequent motion defining "pro-rata".

Motion 4. WHEREAS

not all Balancing Authorities on an Interconnection have hourly spot markets available to them,

THE IIPTF RESOLVES

that the energy price to be paid or received by a Balancing Authority for the energy component of Inadvertent Interchange during the hour shall be either:

(i) "the" hourly spot market price where accessible, or "average" locational price in case of different locational prices within the hourly spot market, otherwise:

(ii) the out-of-pocket cost exactly as determined in the FERC Schedule-4 "Balancing Energy" tariff in force inside the Balancing Authority during that hour, but without the 10 % penalties in the tariff (that all accrue to the tariff administrator).