

These definitions will be posted and balloted along with the standard, but will not be restated in the standard. Instead, they will be included in a separate “Definitions” section containing definitions relevant to all standards that NERC develops.

Version 1

Definitions

Interchange: Energy transfers that cross Balancing Authority boundaries.

Arranged Interchange: The state where all arrangements necessary to submit the Interchange request to the Interchange Authority have been made.

Confirmed Interchange: The state where the Interchange Authority has verified the Arranged Interchange and is ready to submit it to the Balancing Authorities.

Implemented Interchange: The state where the Balancing Authority enters the Confirmed Interchange into its area control error equation.

400 — COORDINATE INTERCHANGE

- 401 Implementation of Interchange
- 402 Interchange Confirmation
- 403 Response to Interchange Authority
- 404 Interchange Authority Disseminates Confirmations

Purpose: To ensure that the implementation of Interchange between source and sink Balancing Authorities is coordinated by an Interchange Authority such that the following reliability objectives are met:

- (1) Each Interchange is checked for reliability before it is implemented.
- (2) The Balancing Authorities implement the Interchange exactly as agreed upon in the Interchange confirmation process.
- (3) Interchange information is available for reliability assessments.

Effective Period: This standard will become effective upon the date of NERC Board of Trustees adoption.

Applicability: This standard applies to entities performing various electric system functions, as defined in the most recent version of the North American Electric Reliability Council Functional Model. NERC is now developing standards and procedures for the identification and certification of such entities. Until that identification and certification is complete, these standards apply to the existing entities (such as control areas, transmission owners and operators, and generation owners and operators) that are currently performing the defined functions.

Clarifying documents: For more information see the North American Electric Reliability Council Functional Model and the Coordinate Interchange Standard Reference Document.

In this standard, the terms *Balancing Authority*, *Interchange Authority*, *Reliability Authority*, *Purchasing/Selling Entity*, and *Transmission Service Provider* refer to the entities performing these functions as defined in the Functional Model.

401 Implementation of Interchange**(a) Requirement**

- (1) The Balancing Authority shall implement Confirmed Interchange exactly as agreed upon in the Interchange confirmation process.

(b) Measures

- (1) The Balancing Authority shall provide evidence that Implemented Interchange matches Confirmed Interchange as submitted by the Interchange Authority.
 - (i) Evidence shall demonstrate that the Interchange was implemented in the Balancing Authority's area control error equation, or the system that calculates the area control error equation. Evidence may be on a net basis or an individual Interchange basis.

(c) Regional Differences

- (1) This requirement does not apply in the ERCOT Region because ERCOT operates as a single Balancing Authority, asynchronous to the Eastern and Western Interconnections. This difference shall be applied on an Interconnection-wide basis in ERCOT.

(d) Compliance Monitoring Process

- (1) Each Balancing Authority shall demonstrate compliance to the Compliance Monitor within the first year that this standard becomes effective or the first year the entity commences operation by self-certification to the Compliance Monitor.
- (2) Subsequent to the initial compliance review, compliance will be:
 - (i) Verified by audit at least once every three years.
 - (ii) Verified by spot checks in years between audits.
 - (iii) Verified by annual audits of noncompliant Balancing Authorities, until compliance is demonstrated.
 - (iv) Verified at any time as the result of a complaint. Complaints must be lodged within 60 days of the incident. Complaints will be evaluated by the Compliance Monitor.
- (3) The Performance-reset Period shall be twelve months from the last noncompliance to requirement 401(a). Balancing Authorities found noncompliant shall keep data until deficiencies resulting in noncompliance are resolved.
- (4) The Balancing Authorities shall make the following available for inspection by the Compliance Monitor upon request:
 - (i) Rolling three months worth of Balancing Authorities' Implemented Interchange values as submitted to them by the Interchange Authorities.
 - (ii) Indication of whether Interchange data is block or ramp schedule.
- (5) The Compliance Monitor shall verify Balancing Authority data by comparing it to corresponding Interchange Authority data.

(e) Levels of Noncompliance

- (1) Level one: 90 to 99% of the records confirm that Implemented Interchange matches corresponding Interchange Authority Interchange.

- (2) Level two: 80 to 89% of the records confirm that Implemented Interchange matches corresponding Interchange Authority Interchange.
- (3) Level three: Less than 80% of the records confirm that Implemented Interchange matches corresponding Interchange Authority Interchange.
- (4) Level four: No records available to review.

(f) Sanctions

- (1) Sanctions for noncompliance shall be applied consistent with the NERC compliance and enforcement matrix (attached to the end of this standard for reference). In cases where financial penalties are assigned for noncompliance, these penalties shall be the fixed dollar sanctions listed in the matrix, not the per MW sanctions.

402 Interchange Confirmation**(a) Requirement**

- (1) The Interchange Authority shall verify that Arranged Interchange is balanced and valid prior to transitioning Arranged Interchange to Confirmed Interchange.

(b) Measures

- (1) For each Arranged Interchange transitioned to Confirmed Interchange, the Interchange Authority shall show evidence that it has verified that:
 - (i) Source MW= sink MW (plus losses, if appropriate)
 - (ii) Interchange is between a source Balancing Authority and a sink Balancing Authority
 - (iii) There is a contiguous transmission arrangement across Transmission Service Providers from the source to the sink Balancing Authorities
 - (iv) MW magnitude is defined
 - (v) Ramp start and stop times are defined
 - (vi) Interchange duration is defined
 - (vii) Each Reliability Authority, Balancing Authority, and Transmission Service Provider has provided approval.
 - (1) For a reliability related change requested by a Reliability Authority, no other entity approvals are required.

(c) Regional Differences

- (1) This requirement does not apply in the ERCOT Region because ERCOT operates as a single Balancing Authority, asynchronous to the Eastern and Western Interconnections. This difference shall be applied on an Interconnection-wide basis in ERCOT.

(d) Compliance Monitoring Process

- (1) Each Interchange Authority shall demonstrate compliance to the Compliance Monitor within the first year that this standard becomes effective or the first year the entity commences operation by self-certification to the Compliance Monitor.
- (2) Subsequent to the initial compliance review, compliance will be:
 - (i) Verified by audit at least once every three years.
 - (ii) Verified by spot checks in years between audits.
 - (iii) Verified by annual audits of noncompliant Interchange Authorities, until compliance is demonstrated.
 - (iv) Verified at any time as the result of a complaint. Complaints must be lodged within 60 days of the incident. Complaints will be evaluated by the Compliance Monitor.
- (3) The performance-reset period shall be twelve months from the last noncompliance to 402(a). Interchange Authorities found noncompliant shall keep data until deficiencies resulting in noncompliance are resolved.

- (4) Each Interchange Authority shall make the following available for inspection by the Compliance Monitor upon request:
 - (i) Rolling three months worth of Interchange-related data, as listed in 402(b)(1).
- (5) The Compliance Monitor shall verify Interchange Authority data by comparing it to corresponding Balancing and Reliability Authority, Purchasing/Selling Entity, and Transmission Service Provider data.

(e) Levels of Noncompliance

- (1) Level one: 90 to 99% of the Interchange-related data includes all items listed in 402(b)(1).
- (2) Level two: 80 to 89% of the Interchange-related data includes all items listed in 402(b)(1).
- (3) Level three: Less than 80% of the Interchange-related data includes all items listed in 402(b)(1).
- (4) Level four: No records available to review.

(f) Sanctions

- (1) Sanctions for noncompliance shall be applied consistent with the NERC compliance and enforcement matrix (attached to the end of this standard for reference). In cases where financial penalties are assigned for noncompliance, these penalties shall be the fixed dollar sanctions listed in the matrix, not the per MW sanctions.

403 Response to Interchange Authority**(a) Requirement**

- (1) The Reliability Authority, Balancing Authority and Transmission Service Provider shall respond to a request from an Interchange Authority to transition an Arranged Interchange to a Confirmed Interchange by acknowledging that the Arranged Interchange is acceptable and reliable with respect to their functional responsibilities.

(b) Measures

- (1) The Reliability Authority, Balancing Authority, and Transmission Service Provider shall provide evidence that they responded to each request from an Interchange Authority.

(c) Regional Differences

- (1) This requirement does not apply in the ERCOT Region because ERCOT operates as a single Balancing Authority, asynchronous to the Eastern and Western Interconnections. This difference shall be applied on an Interconnection-wide basis in ERCOT.

(d) Compliance Monitoring Process

- (1) The responsible entity shall demonstrate compliance to the Compliance Monitor within the first year that this standard becomes effective or the first year the entity commences operation by self-certification to the Compliance Monitor.
- (2) Subsequent to the initial compliance review, compliance will be:
 - (i) Verified at any time as the result of a complaint. Complaints must be lodged within 60 days of the incident. Complaints will be evaluated by the Compliance Monitor.
- (3) The Performance-reset Period shall be twelve months from the last noncompliance to 403(a). Responsible entities found noncompliant shall keep data until deficiencies resulting in noncompliance are resolved. The responsible entity shall make the following available for inspection by the Compliance Monitor upon request:
 - (i) Rolling three months worth of hourly Interchange records that indicate that each Interchange Authority request was responded to.
- (4) The Compliance Monitor shall verify Balancing Authority Reliability Authority, Purchasing/Selling Entity, and Transmission Service Provider data by comparing it to corresponding Interchange Authority data.

(e) Levels of Noncompliance

- (1) Level one: Not specified
- (2) Level two: Not specified
- (3) Level three: Not specified
- (4) Level four: Evidence not available or not provided.

(f) Sanctions

- (1) Sanctions for noncompliance shall be applied consistent with the NERC compliance and enforcement matrix (attached to the end of this standard for reference). In cases

where financial penalties are assigned for noncompliance, these penalties shall be the fixed dollar sanctions listed in the matrix, not the per MW sanctions.

404 Interchange Authority Disseminates Confirmation**(a) Requirement**

- (1) The Interchange Authority shall communicate whether the Arranged Interchange has transitioned to a Confirmed Interchange to all entities involved in the Interchange.

(b) Measures

- (1) For each Arranged Interchange, the Interchange Authority shall provide evidence that it has communicated the appropriate final status to all entities involved in the transaction.

(c) Regional Differences

- (1) This requirement does not apply in the ERCOT Region because ERCOT operates as a single Balancing Authority, asynchronous to the Eastern and Western Interconnections. This difference shall be applied on an Interconnection-wide basis in ERCOT.

(d) Compliance Monitoring Process

- (1) Each Interchange Authority shall demonstrate compliance to the Compliance Monitor within the first year that this standard becomes effective or the first year the entity commences operation by self-certification to the Compliance Monitor.
- (2) Subsequent to the initial compliance review, compliance will be:
 - (i) Verified at any time as the result of a complaint. Complaints must be lodged within 60 days of the incident. Complaints will be evaluated by the Compliance Monitor.
- (3) The performance-reset period shall be twelve months from the last noncompliance to 404(a). Interchange Authorities found noncompliant shall keep data until deficiencies resulting in noncompliance are resolved. Each Interchange Authority shall make the following available for inspection by the Compliance Monitor upon request:
 - (i) Rolling three months worth of hourly Interchange records that indicate that each Interchange Authority request was responded to.
- (4) The Compliance Monitor shall verify Interchange Authority data by comparing it to corresponding Balancing Authority, Reliability Authority, Purchasing/Selling Entity, and Transmission Service Provider data.

(e) Levels of Noncompliance

- (1) Level one: Not specified
- (2) Level two: Not specified
- (3) Level three: Not specified
- (4) Level four: Evidence not available or not provided.

(f) Sanctions

- (1) Sanctions for noncompliance shall be applied consistent with the NERC compliance and enforcement matrix (attached to the end of this standard for reference). In cases where financial penalties are assigned for noncompliance, these penalties shall be the fixed dollar sanctions listed in the matrix, not the per MW sanctions.

Sanctions Table

The following table is an approved table of Compliance Sanctions. This table of sanctions was developed by the Compliance Subcommittee as part of the NERC Compliance Enforcement Program and was approved by the NERC Board of Trustees. The enforcement matrix is divided into four levels of increasing noncompliance vertically and the number of violations in a defined period at a given level horizontally. In the enforcement matrix, note that there are three sanctions that can be used: a letter, a fixed fine, and a \$\$ per MW fine.

Letter

The letter is a sanction used to notify company executives, Regional officers, and regulators when an entity is noncompliant. The distribution of the letter varies depending on the severity of the noncompliance. It is used first to bring noncompliance the attention of those who can take action to bring the entity into compliance.

- Letter (A) — Letter to the entity's vice president level or equivalent informing the entity of noncompliance, with copies to the data reporting contact, and the entity's highest ranking Regional Council representative.
- Letter (B) — Letter to the entity's chief executive officer or equivalent, with copies to the data reporting contact, the entity's highest ranking Regional Council representative, and the vice president over the area in which noncompliance occurred.
- Letter (C) — Letter to the entity's chief executive officer and chairman of the board, with copies to the NERC president, regulatory authorities having jurisdiction over the noncompliant entity if requested by such regulatory authorities, the data reporting contact, the entity's highest ranking Regional Council representative, and the vice president over the area in which noncompliance occurred.

Fixed Dollars

This sanction is used when a letter is not enough and a stronger message is desired. Fixed dollars are typically assigned as a one-time fine that is ideal for measures involving planning-related standards. Many planning actions use forward-looking assumptions. If those assumptions prove wrong in the future, yet they are made in good faith using good practices, entities should not be harshly penalized for the outcome.

Dollars per MW

Dollars per MW sanctions are oriented toward operationally based standards. The MW can be load, generation, or flow on a line. Reasonableness of a sanction needs to be figured into assessing \$/MW penalties. Assessing large financial penalties is not the goal, but sending a message with proper emphasis on \$\$\$ can be controlled with the multiplier.

Occurrence Period Category	Number of Violations in Occurrence Period at a Given Level			
	1 st Period of Violations (Fully Compliant Last Period)	1	2	3
2 nd Consecutive Period of Violations		1	2	3 or more
		\$ Sanction from Table; Letter (C) only if Letter (B) previously sent		
3 rd Consecutive Period of Violations		1	2 or more	
		\$ Sanction from Table; Letter (C) only if Letter (B) previously sent		
4 th or greater Consecutive Period of Violations		1		
		\$ Sanction from Table; Letter (C)		

Level of Noncompliance	Sanctions Associated With Noncompliance			
	Level 1	Letter (A)	Letter (A)	Letter (B) and \$1,000 or \$1 Per MW
Level 2	Letter (A)	Letter (B) and \$1,000 or \$1 Per MW	Letter (B) and \$2,000 or \$2 Per MW	Letter (B) and \$4,000 or \$4 Per MW
Level 3	Letter (B) and \$1,000 or \$1 Per MW	Letter (B) and \$2,000 or \$2 Per MW	Letter (B) and \$4,000 or \$4 Per MW	Letter (B) and \$6,000 or \$6 Per MW
Level 4	Letter (B) and \$2,000 or \$2 Per MW	Letter (B) and \$4,000 or \$4 Per MW	Letter (B) and \$6,000 or \$6 Per MW	Letter (B) and \$10,000 or \$10 Per MW

Interpreting the Tables:

- These tables address penalties for violations of the same measure occurring in consecutive compliance reporting periods.
- If a participant has noncompliant performance in consecutive compliance reporting periods, the sanctions applied are more punitive.