Hourly Mitigation of Import Transactions
January 13, 2004

Provided below is a description of the methodology used to calculate the adjustments needed to mitigate sales of imported energy based on hourly MMCPs, as instructed by FERC, rather than 10-minute MMCPs that are used within the ISO settlement system to mitigate instructed energy sales.

1. A file with the transaction price and quantity for each import during the refund period was developed based on 10-minute settlement records from the preparatory re-run. For transactions in excess of the $250/$150 soft caps, this required that the 401, 481 and 451 Charge Types be added together (from both "D" and "A" records included in preparatory rerun results). A complete listing of transaction prices and quantities for imports of energy during the refund period is provided in the three Excel files (*ie_trans_tie*.xls* files). Due to limits on the number of transaction records that may be included in a single Excel file, these data are being provided in three separate Excel spreadsheets, which cover different date ranges in the refund period.

2. Transactions exempt from mitigation were identified, and not included in calculations of adjustments needed to mitigate sales of imported energy based on hourly MMCPs. Transactions exempt from mitigation include:

- Imports made under the DOE order that have been found to be exempt from mitigation as "Section 202c transactions".
- Import transactions made more than 24 hours in advance of the operating day that that have been found to be exempt from mitigation as "Non-spot Transactions".

Transactions exempt from mitigation are identified in the attached data files using the column entitled "Exempt" (If Exempt = 1, the transaction is not subject to mitigation).

3. The hourly MMCP was merged into the data file. These hourly MMCPs represent the simple average of the six 10-minute interval MMCPs for each hour.

The adjustment needed to mitigate for each 10-minute interval transaction at the hourly MMCP is then calculated as follows:

Adjustment = Quantity × { Max[0, (Transaction Price - Interval MMCP)]
- Max[0, (Transaction Price – Hourly MMCP] }

Where a negative number indicates an amount to be subtracted from the SC's refund liability, and a positive number indicates an increase in the SC's refund liability.

4. Finally, the adjustments for all transactions for each entity over the refund period are summed to a single number, with a negative number indicating an amount to be subtracted from the SC's refund liability, and a positive number indicating an increase in the SC's refund liability.

These final summary results are provided in the spreadsheet entitled *Tie_Summary_20050113.xls*). A description of each column in this spreadsheet is included in the spreadsheet.