

**Subj: Pricing granularity of RTO/ISO Inadvertent requires not decomposing their Inadvertent into Bilateral Inadvertents, but decomposing the RTOs/ISOs themselves into Balancing Authorities that are redefined as Pricing Zones.**  
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**To:** WEQ Inadvertent Interchange Payback Task Force

Mark Lively, and Phil Cox in private conversation, have brought up the interesting issue of the need to reflect the zonal pricing differences at different flowgates of an RTO/ISO as a reason to decompose the RTO's/ISO's Inadvertent with the Interconnection into Bilateral Inadvertents with the RTO's/ISO's immediate neighbors, in violation of NERC policy and practice. I have already shown mathematically how bilateral decomposition of any Balancing Authority's NERC-defined Inadvertent with the Interconnection is meaningless and misleading in identifying source and sink of flows as a basis for "settlement" or payback for Inadvertent. That price-granularity objective can be achieved, however, in another way that contributes to solving the "seams" problem. It's the RTO/ISO itself, not its Inadvertent, that needs to be decomposed, decomposed into transparent "Pricing Zones" that each needs to overlap with a NERC redefined Balancing Authority for purposes of defining Inadvertent Interchange for settlement. In other words, a Balancing-Authority/Pricing-Zone would be defined by congestion at its boundaries. In that case, the Pricing-Zone/Balancing-Authority's Inadvertent with the Interconnection becomes the accurate representation of sourced or sinked Inadvertent otherwise sought by measuring the misleading bilateral flow into and out of the entire RTO/ISO at the flowgate between the Pricing Zone and the Interconnection outside the RTO/ISO. This is a paradoxical result of the FERC-inspired movement to larger control entities (RTOs) with no understanding or regard by FERC of the engineering of control operations and therefore the proper way to price those operations.

An Impossibility Theorem. It is therefore impossible to have the following three things together: (a) an RTO/ISO Balancing Authority, (b) Inadvertent priced at different prices at different interfaces of the same RTO/ISO with the rest of the Interconnection. (c) meaningful NERC-measured-and-defined source-or-sink Inadvertent of a Balancing Authority with the Interconnection as measured in the ACE (Area Control Area) term used in control. Eliminating (c) breaks down the entire edifice of Tie-Line-Bias Control (discussed in a separate posted comment to Mark Lively) and places an inordinate data and metering burden irrelevant to control, namely the burden of separately validating as many Inadvertents as there are Interties rather than as many Inadvertents as there are Balancing Authorities which is a number dramatically less than half the number of Interties. Eliminating (a) is feasible and compatible with both the control engineering and markets, while eliminating (c) is not. Meanwhile, the Industry needs to be satisfied with eliminating (b) by "price averaging" by the RTO/ISO into a single price for all its Inadvertent with the Interconnection.