

Comments on L. Goins Motion
Inadvertent Interchange Payback Taskforce, Market Operations Subcommittee
North American Energy Standards Board

1. The Goins motion is backed by NO TECHNICAL JUSTIFICATION. Detailed consideration of it reveals it to be not well thought-out and to be TECHNICALLY UNJUSTIFIABLE. It is also out-of-date with the NERC frequency standard development process.

2. L10 is a TRANSMISSION-LOADING MW safety-limit, not a FREQUENCY limit.

L10 is set at the control area's bias share of 1.65 times the 7 mHz NERC 10-MINUTE DATA INTERVAL Control-Performance-Standard limit on ANNUAL AVERAGE frequency performance, which NERC never adopted, would have been set at.

Since L10 is not a frequency limit, actual 10-minute-data-interval frequency performance has steadily drifted to beyond the 7 mHz frequency limit L10 was derived from.

Contrary to the motion's reasoning, L10 has not "been determined by NERC as within reliability limits that should not compromise the integrity of the interconnection". The 1-minute-data-interval Control Performance Standard (CPS1) determines the Control Area reliability limits relative to ACTUAL frequency performance. On the other hand, L10 is an absolute MW limit and does not weight Control Area reliability performance by interconnection frequency performance.

Contrary to the motion's reasoning, it is not true that Control Areas are not seen as leaning on the interconnection if they are within L10. CPS1 scores determine the marginal value/price of the frequency control contribution of leaning on the interconnection. All inadvertent that contributes to system frequency deviation should pay that price, not just the last party who went outside the CPS1 limit because of the frequency performance due to the other control areas' inadvertent performances which may have kept them within their CPS1 limits.

3. L10 WAS DROPPED from the NERC Balancing Resources and Demand draft standard and the last round of Industry comments on the draft supported dropping it. The NERC Operating within (Transmission) Limits draft standard has incorporated a transmission safety limit for Inadvertent to replace L10.

Consequently, NERC is in the process of doing with L10 what the motion urges, namely that "any change in the bounds should be by NERC from a reliability standpoint".

4. L10 is NOT A HARD BANDWIDTH. It is a hard limit ONLY AFTER EXCEEDED 10% OF THE TIME, on average. Assume exceeded 11 % of the time.

5. It has never been specified WHICH OF THE 11 % OF EXCESSES WOULD COUNT AS THE 1 % of excesses to which the L10 bandwidth applies. Nothing in L10 specifies that the 1 % needs to be the worst 1 % in the 11 % of control deviations in excess of L10.

6. L10 applies to A 10-MINUTE data interval, while the Goins motion proposes to apply the L10 limit to a 60-MINUTE data interval.

7. Applying L10 to a 60-MINUTE data interval permits outliers EXTREMELY FEWER than 10 % of the time, because L10 is much higher than L60.

At 60 minutes, 2.5 mHz is one "standard deviation" and L60 would be the control area's bias -share of 1.65 times 2.5 mHz. L10 is the control area's bias -share of 1.65 times 7 mHz, which is 12 mHz, or 5 standard deviations of 2.5 mHz at 60 minutes. Outliers beyond 5 standard deviations are only .0001% of total deviations, which means less than one hour of the 8760 hours of Inadvertent in a year would be settled financially under the Goins motion.

Robert Bl ohm, October 31, 2003

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8. By setting THE BANDWIDTH SO LARGE, the Goins motion makes MORE IMPOSSIBLE THE REQUIRED FINANCIAL SETTLEMENT of deviations outside the bandwidth.

The wider the bandwidth, the fewer but more extreme the outliers, and the more likely that there are multiple counterparties to a single outlier who lie within the bandwidth and therefore do not complete the financial settlement.

9. The Goins motion IGNORES INADVERTENT ACCUMULATIONS and PASSES THE BUCK BACK TO NERC to enforce accumulation payback, partly through the obsolete, technically infeasible, and inequitable device of time-error correction which the NERC draft frequency standard deems not required for reliability, and which the NERC Resources Subcommittee has just recommended that research and testing be conducted for with a view to ending the practice.

The Goins motion makes 2 false assumptions:

- (a) You can continuously "borrow" from your neighbor only in small amounts.
- (b) Inadvertent accounts tend to naturally balance out by themselves over time.

Discussion of the 2 false assumptions:

- (a) Theft is theft. A bank vice president isn't allowed to round down millions and millions of accounts to the nearest penny and keep the difference. Watch out for "incremental" analysis that finds "little amounts don't matter". If they accumulate in one direction they matter big time.
- (b) In the deregulated world inadvertent accounts no longer naturally balance out unless properly priced and that has been evidenced in the steady over-frequency creep in the Eastern Interconnection and the ever increasing incidence of fast time-error correction. Competitive entities take inadvertent from regulated control areas who don't mind paying because they think they can always take this cost from regulated customers while keeping the control operator's job as easy as possible.

10. The Goins motion PROVIDES NO CALCULATION but merely "believes" the economic value of the luxury of the control area's not having to worry about the economic fairness of the Enron practice of payback in kind when prices are low for inadvertent taken when prices are high is a fair "reward" for carrying reserves.

The Goins motion borders on "price fixing" of a 0-price, which is collusive and may be in violation of the taskforce's guidelines. Price fixing is typically done among would-be competitors "to make their life/jobs easier". This is especially attractive when costs can be passed through to regulated customers.