

These electronically filed comments are in lieu of my filing written comments, as is permitted in Dates section of the November 15 Notice of Inquiry. Please inform me of the receipt of these electronically filed comments and that I am correct that I need do nothing else.

I believe that FERC has the ability to take actions that improve the reliability of the network. However, these actions are independent of the concepts most people think of as imposing "mandatory electric reliability standards." Instead of imposing "mandatory electric reliability standards," FERC should require market participants to pay and to charge each other for unscheduled flows of electricity with the prices for such unscheduled flows relating to concurrent reliability conditions. The difference between the two approaches relate to the difference between planning an electric system and actual operation.

Mandatory electric reliability standards generally imply planning processes and their implementation, with fines for noncompliance. Payment for unscheduled flows of electricity is based on how well the system is actually operated when all of the uncertainties become known, and would involve creating a competitive true spot market.

I attach "Real-Time Reliability Based Electricity Pricing," 1998 Proceedings, Annual Reliability and Maintainability Symposium, Anaheim, California, 1998 January 19-22, which provides the mathematics behind the concept. I also attach "The Need For A True Spot Market," a presentation to Blue Ribbon Panel of the California Power Exchange, submitted 2000 November 21, presented 2000 November 28, which provides additional economic theory.

In response to the specific questions raised in the Notice of Inquiry --

1. I believe that the existing arrangement of voluntary compliance was sufficient before the government tried to create a competitive market. Much of the existing arrange of voluntary compliance could be compared to the operation of a "good old boy's club," as I stated in "Competition Versus the Good Old Boys' Club," Forum, IEEE Computer Applications In Power, January 1997. Participants in the electric grid acted like club members and did help each other out with no expectation of a monetary reward. (I apologize for any implicit sexism in referring to the concept as a "good old boy's club," but the term has images for me more applicable to a socialistic society instead of the exclusionary policies some have inferred.) Under a competitive market, there should be an expectation of a monetary reward.

Instead of a monetary reward, FERC current allows a "good old boy's club" return in kind for unscheduled flows of electricity. Thus, a utility can take electricity at a time the value is \$5,000/MWH and return electricity at a time the value is \$2/MWH. This is a great windfall for the postulated utility, but what about all the other utilities on the network that make up the other side of this deal, that give electricity when the value is \$5,000/MWH and get it back when the value is only \$2/MWH. They are being used as chumps, especially if the government is touting the market as competitive. Eleven years ago I called this issue "Tie Riding Freeloaders--The True Impediment to Transmission Access," Public Utilities Fortnightly, 1989 December 21. The moniker Tie Riding Freeloaders still applies, though some people try to avoid the title of my article by referring to Free Riders. The freeloading issue presented on a chronological basis in my example is also true on a geographic basis.

2. The postulated exchange mentioned in response to 1 is a pricing issue. FERC has the ability to put in place a pricing mechanism for unscheduled flows of electricity that add a commercial incentive for participants in the

electric grid to work to keep the lights on. It can be stated as a reliability issue, which FERC may not have authority to regulate, or it can be stated as a commercial issue, which FERC definitely has the authority to regulate.

3. The authority to set prices for unscheduled flows of electricity as an indirect way to ensure the reliability of the bulk power transmission system cannot be delegated by FERC. FERC might be able to delegate the development of the real time reliability measures that would then be used to raise and lower prices for unscheduled flows of electricity in response to concerns about reliability.

I do not have sufficient background or inclination to respond to the other four questions posed by the NOI. Please call me with any questions.

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