

DAWG Notes – 26/27 October 2005

Attendees: Cary, Heaton, Snelson, Kerr, Blechta, Vasquez, Bettle (part-time); Wilbur, Stokes, Hartshorn, Arlitt, Leduc (Part-time), Ng, Pettenuzzo, Morris (part-time), Presutti, Doran, Wilson (part-time), Penn (part-time), Wright-Hilbig (part-time), Boudreau (part-time), Kelbert (part-time), Campbell (part-time), Kula

Outstanding Issues from Previous DAWG Sessions:

- The impact of the Day-Ahead Commitment Process on energy prices and uplifts needs to be determined.
- IESO staff from the Market Assessment Unit needs to speak with DAWG members regarding what is acceptable offer/bid behaviour in the Day Ahead Reliability Commitment Process.
- Pat Doran, Manager of Market Facilitation, will look into a process/procedural change to allow submission of changes to minimums that reflect operational conditions that is faster than the facility registration process.
- It was acknowledged that there is a design hole regarding the treatment of resources constrained-on during the day-ahead reliability commitment process.
- Suggestion to revisit RT-SGOL cost provisions and write DA-GCG cost construct consistent with it. RT-SGOL covers fuel cost only, and some recommend it should also allow recovery of other variable costs.
- Suggestion that some form of simulation or testing be done to determine the effectiveness of the proposed day-ahead commitment process and “measure” any effects on the market.
- What load forecast to use for commitment process? Can we use average load forecast day-ahead to reduce the likelihood of committing a ‘fat’ schedule?
- Expand market rules to allow participants to be compensated when resources are constrained for global adequacy to avoid emergency or hi-risk situations.
- Historically, what’s the correlation between day-ahead identification of shortfall, and what turned out to be problem days?
- Current Market Rules don’t allow IESO to say no to a RT-SGOL election. Should the IESO be provided that authority? If so, what criteria would it use?
- Disposition of export transactions in the day-ahead – Will exports be included in the DA process?
- Compliance measures for intertie transactions in real-time – MACD staff to attend and discuss plans for changes to intertie failures in RT.
- Constraints for global adequacy – some stakeholders have significant concern with the IESO having this authority.
- Acceptable bidding behaviour – MACD staff to attend and discuss surveillance and compliance wrt offers and bids in DA.
- Changes to real-time pricing methodology – some stakeholders would prefer to make changes to RT pricing to drive appropriate participant behaviour.

New issues are identified in these notes with grey background.

Day Ahead Commitment Process Timeline (slides 48-61):

- Note that current Market Rules prescribe publication of initial pre-dispatch results by 12:00 of each pre-dispatch day.
- The timeline slide (slide 50) shows timelines for other electricity markets, gas nominations, and the first cut of timing for the proposed day ahead commitment process. Since all but the Ontario electricity market use prevailing time (IESO uses EST), the IESO was asked to prepare 2 versions of this slide – summer and winter, to more clearly show timing impacts.
- Parked proposal (requires more discussion) – can the day-ahead commitment process be altered to allow a generator that is scheduled for its minimum run-time in the 11:07 pre-dispatch to accept a guarantee and be constrained for its minimum run in future pre-dispatch runs?
 - Allows a generator to ‘take its commitment to the bank’ earlier, in time to meet gas nomination timelines
 - Will tend to over commit generation day-ahead. Material amount of over commitment? Or is any proposal that will over commit generators unsatisfactory?
- Start commitment process earlier than 11:07?
 - Issues for importing – offers would have to be submitted before NY market closes.
 - Issues for hydro-electric resources – offers would have to be submitted before good picture of water availability can be formed.
- How many iterations needed after initial pre-dispatch run at 11:07?
 - Submission of revised hydro-electric offers may take up to an hour if offers for a whole river system must be altered – therefore, probably require 2 iterations on many days.
 - Implementation of IESO Commitment Actions – may need two iterations of the pre-dispatch sequence, but can likely be done in parallel with market participants to some extent.
 - Note – it is unlikely that pre-dispatch sequence can be run more than once an hour to speed up day ahead commitment process, as the same instance of the pre-dispatch sequence will be used that is also scheduling imports/exports for the next dispatch hour.
 - Target timeline (to be validated by all):
 - First day-ahead pre-dispatch sequence starts at 11:07 (as today)
 - 3 additional iterations of pre-dispatch performed (one per hour)
 - Pre-dispatch of Record starts at 14:07 – to be published by 15:00
- When will PD results be published?
 - Rules require publishing by start of next hour – i.e. 11:07 PD run published no later than 12:00. Current implementation has PD published as soon as run finishes, usually by 11:35.
 - IESO to provide statistics on PD publication times.

The IESO, at the request of the DAWG, produced a pair of timeline slides (slides 59-60) that detail the timing of gas and electricity markets in the summer and winter. Discussion around these slides led to the following DAWG comments:

- Nominations – first daily nomination is firm. Second nomination (re-nom) is less firm – it may not be accepted if it deviates too far from the first nomination.
- Doesn't make sense to start the pre-dispatch sequence earlier:
 - Winter timing makes sense since first pre-dispatch result is available before gas nomination is due and gas nomination accuracy is more critical in winter than in summer.
 - Wrong sequence in summer – critical gas infrastructure in Ontario is Dawn to Parkway (Union Gas), and the first day-ahead pre-dispatch is published after the first nomination time for Union. However, summer is less critical.
 - Can't see issues for which objections will be raised at this time.
- Is a 15:00 end to the day-ahead commitment process OK for imports, particularly for transaction check-out?
 - To make ON-NY transaction flow, will have NY position no later than 11:00, can then offer appropriately in Ontario
 - NY-ON check-out only for visibility; MISO check-out more important?
 - Useful to expose Day-Ahead Commitment Process to Intertie Trading Working Group.

IESO Applied Constraints:

Proposed Principles (slides 4-5):

- Is there a measurement to determine if IESO is making economic choices in its commitment decisions? Is there a post-audit of IESO decisions?
 - Some review currently, expected to increase.
 - Results of reviews need to be published – third part audit helpful.
- Discussion of impact with market participants more difficult to achieve closer to real-time.
- Application of constraints needs to be reported through firm and sound process
- Additional compensation due to the application of constraints
 - Some members prefer cost-based
 - Some members believe that the application of constraints is like exercising an option – and there should be compensation provided for both having the option and for exercising the option.

Criteria (slide 6):

- Criteria to be incorporated into internal and external procedures
 - Some concerns with nature of constraints – applied over next 37 hours (or less), or applied across successive days or weeks?
 - Need to ensure that IESO staff are properly trained to apply criteria consistently.
- Need to define what is meant by 'reliability concern.' If reliability concerns differ in 2 different time-frames (Commitment Actions, and Global Adequacy Actions), then the definitions have to recognise the different time-frames.

- IESO doesn't need to execute Commitment Actions if it has the ability to execute Global Adequacy Actions. The notion of Commitment Actions arose from concerns of Ontario generators that there was a potential to over commit imports.

Constraints Applied During Day Ahead Commitment Process - Criteria (slides 8-10):

- There are extraordinary circumstances under which the IESO will say 'we're short' and will 'open the window', allowing additional offers to be submitted day-ahead.
- Need a list of 'reliability concerns'.
- A generator that is constrained to its minimum output (slide 8) is eligible to receive CMSC payments, and isn't precluded from receiving DA-GCG if otherwise entitled (correction to existing bullet).

Acceptable Bid/Offer Behaviour (slide 18):

- The Market Assessment Unit (MAU) expects to take a light-handed approach to compliance as a result of implementation of the Day Ahead Commitment Process
 - Competition exists amongst resources.
 - Right behaviours will evolve, particularly if there is evolution to 3-part bidding.
 - Not passing judgment on 'what is reasonable' – generators and dispatchable loads will evolve to reasonable bids.
 - During summer '05 MAU observed reasonable behaviour by generators.
- The MAU will continue surveillance of market, but MAU doesn't expect participants will want rules imposed in advance of starting the process. MAU will have all the data, and will be vigilant on dispatchable loads, generators, IESO (load forecast)
 - Some DAWG members are concerned that the proposed "light-handed" approach by MAU is not appropriate and will allow this process to be "gamed." They would prefer that rules to preclude any known games be put in place with the day ahead commitment process.
- MAU is confident that any 'over-buying' or 'under-buying' day-ahead should not impact real-time market clearing price. Any such deviation will be overcome in real-time – price-is-the-price. Market participants will have the time to respond to high or low pre-dispatch prices following the completion of the day-ahead commitment process.
 - DAWG members do not agree that price effects due to the day ahead process will be mitigated by participant actions in real time.
- MAU response to DAWG member comment that the proposals of Intertie Failure Working Group will discourage real-time exports:
 - Exports don't fail often.
 - Low Ontario prices will draw exports (if over-commitment day-ahead).
 - Export failures impact efficiency.
 - Trading houses will support 'Proposal 3' of the Intertie Failure Working Group – a causal buy-out of real-time schedules.

IESO Applied Constraints

Global Adequacy Market Rules (Bruce Campbell discussion):

- Global adequacy authorities are critical for summer 2006

- 2 paths for Market Rules:
 - Prepare Market Rules that list a series of criteria – defined circumstances where the criteria will be applied. However, we recognise that it is impossible to define all possible circumstances, so in defining a lengthy set of criteria in the market rules, the last criteria would need to be open ended to handle unforeseen circumstances.
 - Broad Market Rule, with:
 - Visibility of occasions where exercised.
 - Review with stakeholders.
 - Sunset date for Market Rules – force Market Rule review in late 2006.
 - Principles/guidelines/criteria to guide IESO actions – developed through continuing conversations with stakeholders – guide operator judgment, but operator still needs discretion.
- DAWG comments:
 - A meaningful review of IESO performance will require a clear set of criteria by which the review will be conducted.
 - Compensation? Need payment up front or as used – payment for ability to shift generation.
 - Commercial base for the compensation – not just a cost recovery payment, as it doesn't reflect the value of the service provided.
 - If service provided, agree with need to pay, but concerned with potential lack of competition.
 - Not ruling out commercial decisions.
 - Loads are not sufficiently represented on DAWG to discuss any new generator compensation methods.
 - Further discussion required.

Constraints Applied Ahead of Real-Time Dispatch - Criteria (slides 11-17):

- DAWG comments:
 - Look to apply a market solution in every instance rather than apply an IESO constraint. In some cases it might be possible to increase operating reserve requirements to get the desired effect.
 - Principle is to apply constraints at the last possible time. However, timeline for global adequacy constraint application may require application during the Day-Ahead Commitment Process, or even before the first pre-dispatch run in some rare instances.
 - Need more frequent review of IESO applied constraints than once annually. A typical question might be: “When the IESO applied Constraint X, why didn't the IESO use Y market solution instead?”
 - It is proposed that criteria for applying constraints will be contained in Market Manuals. Stakeholders want more opportunity for Market Manual review than the usual IESO stakeholder process for Market Manuals.
 - Application of constraints within the dispatch hour – it's worth delineating that when operating reserve requirements increase intra-hour, IESO may direct a unit to operate or synchronise until offers are submitted or until offers are recognised (with synchronization).

- Constraining energy-limited resources – might be a phone call to the generator asking them to change offers. Sometimes the generator says “Constrain my resource.”
- Pat Doran, Manager of Market Facilitation, commits to a review of the Emergency Operating State Control Actions List, and how it integrates with the triggers for constraining (slide 7).

Implied Wheels and IOG (slides 19-47):

- Slides 19-34 reinforced the current rule for RT implied wheels.
- Slides 35-47 identified that there are additional risks associated with day-ahead scheduled transactions.
- A day-ahead transaction that passes day-ahead check-out and flows in real-time needs the day-ahead IOG because they have financially binding schedules in other jurisdictions and are taking financial positions that provide the economic market incentives to deliver the energy. These importers should be free to execute exports in RT without limiting or reducing the DA IOG.
- The treatment of a day-ahead import that does not pass day-ahead check-out is less clear:
 - A potential rule was considered that limits the IOG payment in these situations.
 - However, a lot of discussion revealed the difficulty of matching up transactions with exports to ‘net out’ the quantity eligible for day-ahead IOG payments.
- Proposal: Only claw back DA-IOG for those implied wheel transactions where the DA import did not clear DA checkout with the neighbouring ISO.
- Related Question: if a transaction does not pass day-ahead check-out, is there any (reliability) value to Ontario, and therefore is there any need to pay it a DA IOG?