

Attendees: Cary (part-time), Heaton, Snelson, Kerr, Blechta, Vasquez, Bettle; Wilbur, Stokes, Hartshorn, Arlitt, Leduc (part-time), Ng, Pettenuzzo, Morris (part-time), Doran (part-time), Penn (part-time), Chandler (part-time), Phillips (part-time), Boudreau (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 with regard to what dispatch data changes are allowed following the day-ahead 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.
- Changes to real-time pricing methodology – some stakeholders would prefer to make changes to RT pricing to drive appropriate participant behaviour.
- 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?
- IESO to provide statistics on pre-dispatch publication times.
- Useful to expose Day-Ahead Commitment Process to Intertie Trading Working Group.

- Additional compensation for participants needed when their facilities are constrained for global adequacy.
- 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.
- 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.
- Proposal re DA IOG: 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?

New issues are identified in these notes with grey background.

Slide numbers refer to the Nov 2&3 slide package titled “Day-Ahead Commitment Process with Reliability Guarantees: Other Design Topics”.

#### **Dispensation of unresolved issues:**

- IESO to provide an answer by November 16 or identify how they will be addressed in revised stakeholder plan.

#### **Global Adequacy Follow-Up (slide 3):**

- For all aspects of the global adequacy constraint authorities, need clear delineation of what’s in rules, procedures, guidelines, etc.
- Concern was expressed that the criteria for the application of constraints for global adequacy will be put in a market manual and that the level of stakeholder input into the manuals will be insufficient.
- IESO will provide a stakeholder plan for the compensation, criteria, reporting and review for the issue of constraints for global adequacy. This will include the stakeholding of the applicable market manual content. This plan will be provided to stakeholders by November 16, 2005.

#### **Exports (slides 4-5):**

- A lot of thought, by both stakeholders and the IESO, has gone into considering how to include exports in the Day Ahead Commitment Process. To date, no one has been able to provide a viable option for including exports in the Day Ahead Commitment Process.

#### **Reliability Guarantees – Day Ahead Generator Cost Guarantee (DA-GCG) (slides 7-9):**

- Revisit RT-SGOL?
  - Fuel costs are included in RT-SGOL, but doesn’t include incremental OM&A or an opportunity for profit.
  - If variable OM&A was added as an allowable costs under RT-SGOL – immaterial impact upon uplift?
  - Unfair treatment (DA-IOG vs. DA-GCG)? DA-IOG can include profit, while DA-GCG cannot.

- DA-GCG may be more advantageous than RT-SGOL in some instances (e.g. provide more certainty for gas generators).
- Some sympathy from loads for including more costs in RT-SGOL, but may need to be offset against a broader revenue envelope.
  - Loads also concerned with the ability to audit the non-fuel costs.
- IESO needs to justify the decision regarding which costs will be allowed in the DA GCG and the following points should be included in that explanation:
  - Does DA-GCG with only fuel costs provide sufficient incentives?
  - Need to speak to equal treatment (or lack thereof) of Ontario generators and importers.
- Performance Evaluation
  - Proposal for DA-GCG performance evaluation:
    - If minimum loading point is 100MW and the generator runs at 90MW, then submit costs to operate at 90MW and receive compensation for those costs
  - IESO to indicate to participants where the RT-SGOL details are documented in Market Rules, guidelines, etc.
- Effect of IESO De-Commitment
  - IESO will only de-commit resources for reasons of reliability. De-commitment can occur anywhere in the sequence – before start-up, before synchronisation, and during the minimum run period.
  - Proposal:
    - Allow generators to recover costs of not being able to burn fuel for the length of the start and the minimum run-time.
    - A cost-recovery mechanism separate from DA-GCG is recommended to achieve this.

**Reliability Guarantees – Day Ahead Intertie Offer Guarantee (DA-IOG) (slides 10-14):**

- Is a participant held whole if it takes a day-ahead ‘position’ in Ontario and doesn’t flow in Ontario because it’s constrained-off?
- Should the design allow payments to an import that does not pass day-ahead check-out? Is there value to Ontario load of making such payments?

**Failed Intertie Transactions – Real-Time (slide 15, first bullet):**

- Existing guidelines not very effective to deal with intertie failures in market participant control.
- Three proposals to deal with Real-Time intertie failures discussed with Failed Intertie Transaction Working Group:
  - Proposal 1&2 – tighten guidelines (i.e. safe-harbours) – near-term implementation contemplated
  - Proposal 3 – settlement buyout – more discussion needed with stakeholders
- DAWG comments:
  - Buy-out adds risk premium, and is likely to reduce real-time arbitrage transactions.
  - On average, hour-ahead pre-dispatch prices have been higher than real-time prices; consequently, the penalty implements a bias in favour of imports.

- Any increase in real-time risk premium (caused by any of the proposals) will reduce real-time intertie imports and exports, but no day-ahead vehicle is being provided for exports.
- IESO to further consider the implementation of the RT intertie failure proposals in light of the DAWG member comments.

### **Failed Intertie Transactions – Day-Ahead (slides 16-22):**

- Four proposals to deal with day-ahead imports and import failures:
  - Proposal 1:
    - Scheduled day-ahead and scheduled in hour-ahead pre-dispatch and flows in real-time – paid greater of day-ahead offer, real-time offer and real-time price (via DA-IOG and RT-IOG).
    - Scheduled day-ahead and scheduled in hour-ahead pre-dispatch and doesn't flow in real-time – subject to real-time compliance (see above)
    - Day-ahead charge – proposal for imports scheduled day-ahead but not scheduled in hour-ahead pre-dispatch ...
      - If hour-ahead zonal price is less than day-ahead offer or zonal price (constrained or unconstrained – to be determined), no settlement charge
      - If hour-ahead zonal price is greater than day-ahead offer or zonal price (constrained or unconstrained – to be determined), settlement charge based upon price difference
  - Proposal 2:
    - Make Day Ahead Commitment Process look more like New York:
      - If scheduled day-ahead and flows in real-time, paid day-ahead price (but who's the counter-party?)
      - If scheduled day ahead but doesn't flow in real-time ...
        - If hour ahead zonal price is greater than day-ahead zonal price, trader paid based upon price difference
        - If hour ahead zonal price is less than day-ahead zonal price, trader pays based upon price difference
  - Proposal 3:
    - Do nothing.
  - Proposal 4:
    - Apply Proposal 1 only for imports that don't check-out day-ahead. For imports that do pass check-out day-ahead, do nothing.
    - DAWG members need some time to discuss these options with others. A teleconference of the DAWG will be held the morning of November 9, 2005 to complete the discussion of this topic.

### **ELR Dispatch Data Revisions (slide 23):**

- Allow participants to change dispatch data for energy-limited resources (ELRs) as required during the Day Ahead Commitment Process – price, quantity, energy-limit and hours can be changed.

- Following the Day Ahead Commitment Process, energy limit and price can be changed without restriction (subject to the usual market surveillance oversight). The real-time offer must stay within the hours and the quantity offered in these hours day-ahead.

**Publishing Day Ahead Commitment Results (slides 24-25):**

- IESO broadcast of need for commitment actions – default could be “expect no IESO actions” and announce only if IESO expects to take actions.
  - This announcement should be made as early as possible.
- Notification to the market of IESO commitment actions
  - Confidentiality rules must be followed
  - Only after the affected participant has been consulted.

**Locking DA-GCG to Earlier Iterations (slides 29-30):**

- A “nice to have” for gas generators to allow them to lock in fuel in time for first gas nomination window.
- This will likely lead to additional unit commitment – agreed that this will not be pursued.

**Requested Analysis (slides 26-28):**

- Of “problem days” identified day-ahead in SSR, picked-up ~75% of real-time “problem days.”
- Day Ahead Commitment Process will likely reduce the identification of day-ahead “problem days”, but can’t do much about events that occur in real-time.