

Notes from the 27th Meeting of the Market Pricing Working Group

Friday April 7, 2006, 9:00 – 2:00

DRAFT

Attendees:

Name	Company	Name	Company
Abdelnour, Francois	Ivaco Rolling Mills	Marcotte, Steve	Bruce Power
Alpajaro, Peter	Bruce Power	Poyton, Cliff	EPCOR
Bell, Brian	Ontario Power Generation	Thoma, Tony	Wescast
Benner, Ryan	Dofasco	Vasquez, Nora	TransCanada Energy
Bettle, Peter	Brookfield Power	Wu, Lawrence	Total Energy Advice & Management
Blechta, George	Falconbridge		
Brown, David	OEB		
Butters, David	APPrO		
Cary, Rob	Cardinal Power	Falk, Jonathan	NERA
Clark, Wayne	AMPCO	Barr, Anne	IESO
Clipsham, Paul	Canadian Manufacturer's & Exporters	Dieterle, Chris	IESO
Degelman, Cara	Abitibi-Consolidated	Finkbeiner, Darren	IESO
Dottori, Paul	Tembec	Kozlik, Ken	IESO
Duzy, Margaret	TransCanada Energy	Loughren, Chris	IESO
Gregg, Laurie	Falconbridge	Maria, Gamal	IESO
Heaton, Randy	Ontario Power Generation	Noble, Kerry	IESO
Hunt, Robert	Ontario Energy Marketers Association	Rivard, Brian	IESO
Kerr, Paul	Coral Energy Canada	Travers, Scott	IESO
Kuriychuk, Mike	Bowater & AMPCO	Wilbur, Bill	IESO

Item #1: NERA Presentation

The IESO had engaged NERA Economic Consulting to analyze, and provide a recommendation, on the 12X RR issue. Jonathan Falk of NERA presented the results of their analysis and responded to questions from the members.

The presentation instigated an extensive discussion of general market design principles and NERA's analysis of the 12X RR issue. Stakeholder feedback capture during the discussion can be found below.

Item #2: Additional Information on APPrO Proposal

At the 26th meeting of the Market Pricing Working Group (MPWG) the IESO committed to providing the members with the sum of the total demand change from interval to interval so that

the APPrO's proposal could be evaluated. This information was provided in the presentation. There was a question regarding the data presented for the changes in Ontario Primary Demand. The slide in the presentation on this topic has been changed to make this clearer and the revised presentation posted on the MPWG web page.

Item #3: Implementation Timelines for Possible Solutions

At the 26th meeting of the MPWG the IESO committed to providing the members with timelines of the implementation of the possible solutions. This information was delivered in this presentation.

Item #4: Remaining Schedule for Addressing this Issue

April 18, 2006	Draft IESO recommendation sent to members and posted on MPWG webpage
April 21, 2006	An additional meeting of the MPWG to discuss and gather stakeholder feedback on the IESO recommendation.
April 26, 2006	Open stakeholder session to present a revised IESO recommendation. The revised recommendation will incorporate the members feedback from the April 21 MPWG meeting.
May 24, 2006	Present revised recommendation to the Stakeholder Advisory Committee. This revised recommendation will incorporate the stakeholder feedback from the April 21 MPWG and April 26 general stakeholder session.
June, 2006	Present final recommendation to the IESO Board of Directors.

Item #5: Intertie Transactions Setting Real Time Price

A presentation to introduce the issue of Intertie transactions setting the Ontario real time energy price was given. Stakeholder feedback was collected during this presentation and is included below.

Stakeholder Feedback

NERA Presentation

- Constraint payments can be considered a payment for ramp (under the specific ramping compensation options)
- Uniform price does not reflect the true marginal cost and is not a true marginal signal
- Discussions of market mechanisms and market theories need to be offset by the realization that Ontario does not have a pure market
- In principle, a ramp market may be appropriate, subject to the constraints of implementation and costs/benefits of that market
- There exists irrational ramping (eg decreasing market demand and dispatch instruction up) in the current market, how do generators incorporate those costs in a rational bid
- Local market power regime restricts the CMSC opportunities
- Other consultants, using information from other jurisdictions, showed us previously that 1X Myopic will provide investment signals to build ramp
- Even if ramp costs can not be proved to a regulatory certainty, they still exist and should be compensated
- This issue (ramp problems, up/down movement) may be a technical problem that market forces/prices can not correct
- Changing bids/offers may not make the dispatch issues disappear but it may improve the situation by making the movements more expensive and compensating for the costs of movement
- The ramp cost is a uniform cost, similar to the uniform energy price
- Is there going to be financial analysis on the impacts on wealth transfers from consumers to generators and the broader economic impacts of this change?
- Would like a clear 'problem statement' indicating the precise issue we are attempting to address, the criteria we will use to make a decision and the major financial effects of a decision.
- Some metric to show that system efficiency will be improved would be required for full support.
- The criteria need to be evaluated against the market/system we have now, not the ideal version.

Intertie Transactions and the Ontario Market Clearing Price

- Important to recognize the market design issue that pre dispatch demand is peak vs. real time demand
- A unit may not be able to dispatch in the constrained but may be able to set price in the unconstrained
- This issue is closely tied to the use of peak in PD. Encourage IESO to think about a revised treatment and only use peak in PD if it is necessary (two passes of PD?)
- External markets – what impact of TLR? Would we contemplate keeping offers in the stack if they are off for TLR?