

These notes were prepared immediately following the August 23rd MPWG meeting but were inadvertently not posted. They are posted now for completeness and have not been reviewed by MPWG attendees.

Notes from the 31st Meeting of the Market Pricing Working Group

Wednesday August 23, 2006 8:30 – 11:00

Attendees:

<u>Name</u>	<u>Company</u>	<u>Name</u>	<u>Company</u>
Whyte, Daniel	Brookfield Power	Chase, Maia	IESO
Alpajaro, Peter	Bruce Power	Finkbeiner, Darren	IESO
Cary, Rob	Cardinal Power	Kozlik, Ken	IESO
Kerr, Paul	Coral Energy	Loughren, Chris	IESO
Dade, Christine	Direct Energy Marketing Ltd.	Morris, Elizabeth	IESO
Yang, Bunli	E4	Rivard, Brian	IESO
Blechta George	Falconbridge Ltd.	Travers, Scott	IESO
MacDonald, Darren	Gerdau Ameristeel Corp.	Wilbur, Bill	IESO
Cipolla, Jim	Northland Power		
Bell, Brian	Ontario Power Generation		
Heaton, Randy	Ontario Power Generation		
Duzy, Margaret	TransCanada Energy		

Ken Kozlik presented the IESO management recommendation for resolution to the twelve times ramp rate issue. The same presentation will be made to the Stakeholder Advisory Committee on September 5, 2006. The comments received from MPWG members are listed here:

- Found it disappointing that the AMPCO proposal was not included in the information. The APPrO position is in response to the AMPCO paper and without the AMPCO position the APPrO report is out of context.

IESO Response: Ken will include the discussion of AMPCO in his presentation to SAC.

- Is there going to be more opportunity to provide input before SAC?

IESO Response: Best is to provide to your SAC member(s) for discussion there. If you'd like to share it with us we will post it, but we don't foresee making any changes to the report or entertaining any new ideas.

- 3X was discussed at the meeting before.
- Only a quick, informal, 2 line conversation.
- It can't possibly be something new trying to avoid uplifts. They've always been a problem. It seems like the ISO has had a revelation with their renewed view of uplifts.
- Uplifts have been a good thing, they have kept the total cost of power down.
- About not being able to incorporate ramp costs into offer – don't feel this is appropriate. Gens should be able to include these costs into their offer. Dispatchable Loads are dispatched in the up and down fashion and they must incorporate those costs into their bid.
- Why are hourly profits used in calculation of the ramp guarantee option? Don't like the idea of the guarantee at all. Why should profits be used to offset costs, they are meant to be profit that must be earned to cover fixed costs.
- Why 6 months of simulation data?

IESO Response: Six months was felt to be a reasonable length of time.

- Disappointed how this recommendation has been brought forward. How can a resolution be supported that they haven't had an opportunity to explore?
 - We've been discussing this issue extensively and it's up to the IESO to make a recommendation.
 - Embarrassing being blind-sided by an unknown option.
- How long is it to have this implemented?

IESO Response: Implementation is straightforward and will require almost no time, however, some notice to market participants will be required.

- Does this need a market rule change?

IESO Response: No. Existing rules allow IESO to change the ramp rate multiplier.

- A reasonable request is a sunset clause.
 - What about when DAM is here? There is still a Real-Time market that needs to be priced - do we enter this discussion again?

- Suggest to tie Ramp Rate issue to constrained pricing not DAM.
- Are there any contingency plans? What if the first month ends up with \$0 or \$200 million transfer? What happens then? How do we know this works.
 - Where is the measure of efficiency or outcome success?
 - Can we ask the MSP to monitor this and report?
- The principle that only variable resources are allowed to set the price is a manufactured principle. Because we schedule interties on an hourly basis they can't set price is just our choice not a necessity.
- This doesn't give us an opportunity to solicit feedback from other members given the short notice and time of year with holidays.
- Was any other change to multiplier estimated?

IESO Response: Simulations were done for several different multipliers – 9, 6, 3, 1 and presented to MPWG in January.

- Make sure graph of multiple ramp rate prices are posted and send the group a link.
- Better thought out rationale for 3X in presentation as opposed to something else like 6X etc.
- More explanation on 'improves quality of price signal' and 'increases market efficiency'.
 - Advertises the price response to a contingency better.
 - Volatility.