

Notes from 7th Meeting of the Market Pricing Working Group

Friday August 20, 2004, 8:30 – 3:00

Attendees:

<u>Name</u>	<u>Company</u>	<u>Name</u>	<u>Company</u>
Benner, Ryan	Dofasco, Inc.	Vasquez, Noralyn	TransCanada Energy Ltd.
Bettle, Peter	Bruce Power	Wu, Lawrence	TEAM Ltd.
Blechta, George	Falconbridge Limited	Yang, Bunli	E4 Inc.
Brown, David	OEB		
Cary, Rob	Cardinal Power		
Cipolla, Jim	Northland Power Inc.	Chan, Andrea	IMO
Coulbeck, Rob	Ontario Power Generation	He, Andy	IMO
Harwood, Shane	Coral Energy Canada	Maria, Gamal	IMO MPWG Team
Heaton, Randy	Ontario Power Generation	Pietrewicz, Andrew	IMO MPWG Team
Miles, Tony	Hydro One	Rivard, Brian	IMO MPWG Team
Poyton, Cliff	EPCOR	Sergejewich, Peter	IMO MPWG Team
Simpson, Mark	Wescast Industries Inc.	Wilbur, Bill	IMO MPWG Team

Item #1: Review of Action Items from August 6 Meeting

- 2.1 IMO staff continuing to examine methods to gain residential representation on the MPWG - **Open**
- 3.5 – MPWG members requested to forward impacts of the pricing issues discussed at previous meeting – Open
- 5.1 – IMO staff to investigate NYISO use of out of market reserve resources – **Open**
- 5.3 – IMO staff to provide data on how often the CAOR is scheduled – some data is available on website but update to be provided at next meeting – Email with summary data and link sent August 16, 2004. Closed
- 5.4 – IMO staff to find out how NYISO handles line loss factors – **Open**
- 5.6 – IMO staff to report on possibility of publishing the line loss factors – Reported that data is not classified as confidential and should be published on IMO web site. Further stakeholdering to be done prior to publication.
- 6.1: IMO staff to check the DSO handling of energy shortages – will the price be MMCP or the highest energy offer price? – Reported that DSO uses the same logic for reserve and energy shortages, the highest energy offer price will be used and not MMCP. This will be addressed as part of issue 33. Closed
- 6.2 – MPWG members review the issues and give some thought to a preliminary prioritization to be discussed at next meeting. - Closed
- 6.3 – IMO staff to draft a preliminary grouping of the issues to be discussed at the next meeting. - Closed
- 6.4 – IMO staff to have statement added to web page indicating all documents are subject to change. Done August 16, 2004. Closed

Item #2: Questions/Comments on Previously Discussed Pricing Issues

- Several of the issue documents discussed at the previous meeting had major revisions made to them. Issue #1 – renamed “Pre-Dispatch Price Uncertainty” - It was suggested that the issue of using peak demand in the pre-dispatch sequence should be included as part of this issue. It should also be noted in this paper that pre-dispatch is used for settlements purposes in several ways – imports, Hour Ahead Dispatchable Load (HADL) and Transitional Demand Response Program (TDRP) – and therefore the importance of pre-dispatch or some form of price forecast is becoming greater.

- Issue 7 – renamed “Imports & Exports Setting Price” - It was suggested that wording should be added to the Market Impact section stating that imports are in some cases getting different prices than domestic generators. Also, wording in the Description section should be altered to reflect the fact that imports and exports do not set price because of a design decision.
- Issue 26 – The report text should include reference to potential contracts resulting from the Government’s RFP and not just the Heritage contracts.
- There was some discussion of the Settlements adjustment made on the July 31 settlement statements due to a problem that existed from market opening. It was questioned as to how the IMO can make changes for settlement that has gone past final settlement and also what the basis was for the allocation based only on the month of July, 2004? WG members suggested that the IMO should provide a presentation on this particular settlement adjustment and also the general philosophy for settlement adjustments. It was also requested that a new pricing issue be raised which would encompass settlement adjustments and allocation of the adjustment amounts.

Action 7.1: IMO staff to create new pricing issue for this.

Item #3: Pricing Issues for Discussion

- Issue 5 – Simultaneous Use of Ramping Generation Units for Energy and Reserve – Reviewed the report document – It was suggested that there should be some analysis of the trade-off between carrying more reserve or violating NERC guidelines regarding Area Control Error. Two specific wording changes were requested for the Background section.
- Issue 8 – Multi-Part Bids/Offers – The IMO suggested that this was not an issue and should be dropped. WG members indicated that there might still be an issue here based on the possibility of an arbitrage opportunity between DAM and RT created by the different bidding structures. It is possible that the issue should be re-characterized as “minimizing systemic arbitrage opportunities between DAM and RT. The issue will not be dropped from the list.
- Issue 11 – Comparing Treatment of Self-Scheduling Resources in Pre-Dispatch and Real-Time – Reviewed the report document – The text should include reference to other facility types that are also treated in a similar manner – Intermittent and Commissioning units. The question of compliance enforcement for SSGs that do not perform as per their schedule was raised. It was noted that the market rule uses the term “best efforts” which would suggest that enforcement would be difficult.
- Issue 16 – Historical Analysis of Nodal Prices – Reviewed the report document – The WG suggested that the simple analysis done so far is insufficient and that more is required, especially regarding the factors causing the difference between the average nodal prices and the uniform prices.
- Issue 17 – Comparison of OR Prices in Congestion Pricing and Uniform Pricing Regimes – It was suggested by the IMO that this issue should be addressed by issue 16 and the report already produced for issue 16 has this incorporated. This was accepted by the WG.
- Issue 20 – Treatment of Imports in Congestion Pricing Regime – The report has not yet been produced and the IMO was not prepared to discuss this issue today. It will be deferred to the next meeting.
- Issue 21 – Time Lag Associated with Contingency Detection – It was suggested by the IMO that this issue be included with the report for issue 27 – Timing Difference Between Unconstrained and Constrained Real-Time Sequences. This was accepted by the WG.
- Item 24 – Reducing Frequency of Failed Inertie Transactions – Reviewed the report document – A WG member questioned the need for strict compliance enforcement when reliability is not an issue.

There are however market issues with any intertie transaction failures since they will have some affect on the real-time price and also increase the disparity between PD and RT price.

- Issue 29 – 5-Minute Resolution of Price One Hour Ahead – The IMO suggested that this issue is included with the report for issue 1. This was accepted by the WG.
- Issue 30 – Forecast of Real-Time Price – Reviewed the report document – WG members believe that most market participants do not rely on PD price as a forecast of RT price. There was general agreement that the IMO should provide a forecast of RT price.

Item #4: Pricing Issue Prioritization

- Following a discussion of possible issue groupings, the WG arrived at the groups below:
 - Pre-Dispatch Price and Price Forecasting – 1, 14, 29, 30, 11
 - Imports/Exports – 7, 20, 24, 32
 - Temporal Issues – 4, 25, 31, 5
 - Load Forecasting – 9, 10, 27
 - LMP/locational issues – 16, 23, 2, 19, 18, 22
 - Settlements Adjustments – new settlement adjustment issue identified today, 28
 - Integration of Regulated Prices – 26
 - Control Actions – 13, 35, 36, 6
 - Other – 3, 8, 12, 15, 33, 34
- There were numerous views expressed as to what the highest priority issues should be. Most agreed that 26 was very important, there was some disagreement as to what exactly the MPWG would do with this issue. The IMO indicated that it would be best for individual organizations to provide the government with comments on their legislation and draft regulations, and that this will not be done through the MPWG. It was suggested that some issues that may be less controversial in nature and that may have less complicated solutions should be dealt with first. There was some general agreement with this plan.

Action 7.2 – IMO staff will pull together a preliminary list or approach to take based on this discussion

Action 7.3 – IMO staff to provide some preliminary estimates of the effort required for some of the possible resolutions to the simpler issues.

Item #5: Next Meeting – Friday, September 3, 2004

- The few remaining issues will be discussed at the next meeting as well as further discussion of the prioritization of the issues.
- The next meeting will be scheduled for the morning only.
- There was general consensus that these meetings should continue to be held on alternate Fridays, therefore the existing meeting schedule will remain as is.