

Notes from the 23rd Meeting of the Market Pricing Working Group

Friday September 9, 2005, 8:30 – 12:30

DRAFT

Attendees:

<u>Name</u>	<u>Company</u>	<u>Name</u>	<u>Company</u>
Alpajaro, Peter	Bruce Power	Snelson, Ken	AMPCO
Bell, Brian	Ontario Power Generation	Vasquez, Noralyn	TransCanada Energy
Bettle, Peter	Brascan Power	Yang, Bunli	E4 Inc.
Blechta, George	Falconbridge		
Brown, David	Ontario Energy Board	Boudreau, John	IESO
Cipolla, Jim	Northland Power	Finkbeiner, Darren	IESO
Duzy, Margaret	TransCanada Energy	Kozlik, Ken	IESO
Kerr, Paul	Coral Energy Canada	Maria, Gamal	IESO
McCuaig, Paul	Powerex	Penn, Richard	IESO
Poyton, Cliff	Epcor Merchant & Capitol	Wilbur, Bill	IESO

Item #1: Review of Action Items from Aug 5th Meeting

- 2.1 – IESO staff continuing to examine methods to gain residential representation on the MPWG – **Open** – Due to the new electricity legislation (Bill 100), the IESO will be reviewing stakeholding and any progress on this action item will be after that review.
- 22.1 - IESO to arrange a meeting of Intertie Trading Subcommittee to discuss export treatment during emergencies. – Meeting arranged – **Closed**. The meeting was subsequently cancelled, however IESO staff will produce a paper on this topic which will provide a description and rationale for the current treatment of exports.
- 22.2 - A discussion of proposed IOG changes be added to the agenda for the next Intertie Trading Subcommittee meeting. – Meeting arranged – **Closed**. The meeting was subsequently cancelled, however the IOG issue will be included with the discussions of the day ahead commitment processes.

Item #2: Enduring Solution to Counter-Intuitive Pricing during Times of System Stress

The IESO staff recommendation that no further rules or procedures are required to be implemented for the long-term solution was unchanged from that presented at the August 5, 2005 MPWG meeting. Prior to polling on this recommendation, there was discussion on several points raised by members.

Some members again expressed their concern that there is no guarantee that prices will reflect emergency conditions. Other members countered that this solution allows for the possibility that prices may be inappropriately high during an emergency condition. The actual cost of an emergency energy purchase may be much lower than the market clearing price that results from this control action. Some members agreed with IESO staff that this solution is the best that can be achieved within a uniform price regime.

The need for improved communication by the IESO of emergency events was raised by members. There is an outstanding action item from the Technical Panel related to emergency communications and materials provided to the TP on that will also be made available to MPWG members.

Action 23.1: IESO to email TP material regarding emergency communications to members.

It was also requested that the IESO publish the details for each instance where demand is added back into the market schedule.

Action 23.2: IESO staff to investigate publishing details whenever market schedule demand is adjusted for emergency control actions.

Several members expressed a desire that the discussion on this issue not end with this recommendation. IESO staff agreed to add to the recommendation that a review of emergency pricing will be undertaken by the IESO and stakeholders in the fall of 2006. With this addition to the recommendation, it was agreed to by all but one of the MPWG members present. The revised recommendation, including the views of several members in their own words, will be forwarded to all MPWG members.

Action 23.3: IESO to email and post revised recommendation paper.

Item #3: Demand Forecast Used by Pre-Dispatch Sequence

IESO staff made a brief presentation and suggested that no further action be taken on this issue and that any proposed changes to the Intertie Offer Guarantee would be addressed by the Intertie Trading Sub-committee rather than the MPWG. Members countered that, while this may not be a high priority issue, the MPWG should continue to investigate solutions to improve the pre-dispatch processes.

Ideas for further investigation were raised by members such as using peak demand forecast for the constrained schedule and average demand for the market schedule. Another suggestion was to increase the Operating Reserve requirement by the expected difference between the peak and the average demand forecast.

Item #4: Intertie Transactions Setting Price

IESO staff presented the results of price simulations of two alternative methods for allowing intertie transactions to set price. This was provided as a sample of what is possible using the IESO's market schedule simulator.

A member suggested that making this change would be counter to the principle of having the pricing algorithm as close as possible to the dispatching algorithm.

Several members were in agreement with a suggestion to review the principles and rationale behind this issue before pursuing any further simulations or design details.

Action 23.4: IESO staff to review and update the existing MPWG paper on this topic (Issue #7).

Item #5: Temporal Optimization

IESO staff presented brief overview of MIO price simulation results and assumptions so far. The IESO suggested that a significant amount of further analysis is still required before a decision on the incorporation of MIO pricing could be made. This would take several months.

Several members from the generation sector were displeased with this suggestion and wanted the 12 times ramp rate issue to be separated from the MIO pricing issue and that the 12 times ramp rate be eliminated immediately. These members stated that the credibility of the Ontario market declines due to inaction on the 12 times ramp rate issue. IESO staff responded that myopic pricing with a 1 times ramp rate is also not appropriate and will not be considered in isolation.

Several members were in agreement with a suggestion to review the principles and rationale behind this issue before pursuing any further simulations or design details.

Action 23.4: IESO staff to review and update the existing MPWG papers on this topic (Issues 4, 25 and 31).

Item #6: Other Business

A member requested that the IESO provide an overview of the new Regional Reserve Sharing initiative. This would see NPCC-member organizations share operating reserve amongst themselves and allow their respective Operating Reserve requirements to be reduced by 50MW each.

Load members expressed support for this change. Members from the generation sector suggested that the IESO should study the effects on the market – specifically around future supply for operating reserve – prior to implementation.

IESO staff committed to bring any future changes to regional reserve sharing to the MPWG for stakeholder input.

Item #7: Next Meeting

Friday October 7, 2005 at Skymark beginning at 08:30. The length of the meeting will be determined based on the agenda items to be discussed.

Future meetings are scheduled for November 4 and December 2, 2005.