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Randy Heaton, Director EM Support
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Independent Electricity System Operator
Attn: Mr. K.P. Kozlik, Director, Market Evolution
655 Bay Street, Suite 410
Toronto

By e-mail

August 4, 2006

Dear Mr. Kozlik:

Comments on the Twelve Times Ramp Rate

OPG would like to thank-you for the opportunity to comment on the 12 times ramp rate issue. The following is a brief summary of our comments on this issue.

OPG feels that it would be a mistake to evolve the market using the existing real time market construct as the foundation. Issues such as 12x's ramp rate, intertie transaction eligibility to set clearing price, the nature and frequency of dispatch instructions, as well as the difference between the cost of the marginal unit and the price of the marginal MW all must be dealt with prior to moving forward.

The issue of 12x's ramp rate has been with us since prior to market opening, and was originally incorporated into the market design as a temporary measure to mitigate price volatility. Since that time the issue has been one of great controversy and discussion, but not great action.

We are disappointed that market participants have been unable to agree upon a strategy that would allow the removal of this temporary fix, in spite of the fact that many generators adopted the Industrial load's proposal only to see them abandon it.

The IESO is considering at least four proposals at this time:

- 12x's ramp rate replaced by 1x's myopic ramp rate
- 12x's ramp rate replaced by 1x's ramp rate with multi-interval optimization pricing
- supplemental payments for ramp
- status quo.

OPG has spoken many times for our preference for the first alternative. We recognize that many market participants do not support a return to the original market design, however we believe that 12x's ramp rate is a fiction that our market cannot support while maintaining its' credibility.

OPG does not support a change to any of the several multi-interval optimization pricing methodologies proposed by the IESO due to the complexity that they introduce in the determination of price and the fact that their design is no less arbitrary in nature than was the selection of the 12x's multiplier.

The generator community has worked through APPrO to prepare a proposal for a Ramping Ancillary. This report, entitled "Adopting a Ramping Charge to improve Performance of the Ontario Market" was distributed to Market Pricing Working Group members in late June. It concludes that a ramping payment of \$4.24/MW should be made to any generator that ramps in response to a dispatch signal from the IESO. We believe that this report, in combination with the presentation made at the Market Pricing Working group in late June speaks clearly for the merits of this proposal.

In conclusion, while we believe that the restoration of the 1x's ramp rate is a must prior to evolving to a Day-Ahead Market, adopting a ramping ancillary as an interim measure will provide a mechanism which will incent a reduction in the number of dispatch instructions while compensating generators for costs that they continue to incur for the benefit of the market.

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