Meeting Minutes
DAM Technical Support Group for Production Cost Guarantee Design
Wednesday, October 10, 2007

Name (Attending in Person)	Company
Cara Degelman	Abitibi Consolidated Company of Canada
Has Tayabali	Ontario Power Generation
Brian Bell	Ontario Power Generation
Paul McCuaig	Powerex Corporation
Paul Kerr	Shell Energy
Rob Cary	Sithe

Name (Attending via Teleconference)	Company
Mike Cadwalader	LECG

IESO
Briggs, Jeannette
Radik, Rostik
Travers, Scott
Wilbur, Bill

A memo from LECG describing three possible PCG methods was sent to the attendees in advance of the meeting. Also, a slide deck briefly summarizing these methods was handed out at the meeting and used as a guide for the discussion.

<u>Issues Raised</u>

- It will be difficult to fully assess proposed PCG design without knowing some of the other features of the DAM design that are still not finalized. Examples are:
    - CMSC eligibility for non-quick start units that are not synchronized;
    - alignment of the constrained and unconstrained runs (DA);
    - information passed from the DA results to subsequent predispatch and real-time runs;
    - handling of self-scheduling and intermittent generation in the DAM.

- It may be necessary to make some assumptions regarding these (and possibly other) DAM design issues in order to design the PCG, and the PCG would need to be re-examined if these assumptions don't materialize.

- Need to establish decision criteria and terms of reference for the group.
- A summary of other market's PCGs would be helpful.

Summary of Meeting Discussion

An initial discussion of the three methods described in the paper was held. For method 1, the discussion resulted in a variation of the first method being added as another option and labelled Method 1b. Method 1b uses the day ahead unconstrained schedule (DAUS) instead of the constrained schedule (DACS) in the calculation of cost. The method 1b cost equation is:
Cost = mingen + DAMoff x (DAUS – minQ) + RToff x (RTCS – DAUS)

Even with this change, it appears that there remains a problem with either variation of method 1 in that there is some incentive for participants to alter their real-time offers in order to prevent real-time profits from eroding production cost guarantee payments earned based on the day-ahead schedules. Method 2, which separately calculates a day-ahead PCG and a real-time PCG, does not create this incentive.

The discussion on method 3 centred on how this more complicated two-part PCG calculation appears to effectively provide participants receiving this PCG a financial commitment to their day-ahead constrained schedule, which may result in confused incentives for participants since the DAM financial commitment would be to the unconstrained schedule.

In order to better understand the implications of the different PCG calculation options, many more examples are required. Suggestions for a starting point for the different cases to illustrate by example included the 13 CMSC examples presented at the September 21, 2007 DAM stakeholder event. It was also suggested that the examples try and use realistic offer curves for several different unit types such as combined-cycle gas, single cycle gas, coal, and hydro-electric. This first cut at examples will not include import, export or consumption examples, however these cases will need to be studied in future.

The next meeting is tentatively scheduled for the week of October 29, and will be coordinated with the existing stakeholder events that are scheduled that week. The focus of that meeting will be to discuss the example cases created by that time and these will be provided to meeting participants a week in advance.