

Status of Enhanced Day-Ahead Commitment Project

This document briefly summarizes the background leading to the adoption of the Enhanced Day-Ahead Commitment (EDAC) project, the current status of the project and the approved course of action for moving forward.

IESO Stakeholder Engagement of Day-Ahead Mechanisms and Approval of EDAC

In September 2006 the IESO initiated Stakeholder Engagement Plan (SE-21) to explore and understand stakeholders' interests and priorities in evolving the electricity market as it relates to day-ahead mechanisms. Through this engagement, the IESO and stakeholders considered a number of options for day-ahead mechanisms and the IESO undertook a detailed cost-benefit analysis of these options. The selected option, EDAC, was approved by the IESO Board on September 5, 2008. In making its decision, the Board considered stakeholder feedback and advice from the Stakeholder Advisory Committee.

This EDAC project incorporates 24-hour optimized unit commitment, inclusion of exports, three-part offers, and refined cost guarantees for generators and imports. Background detail about the project — e.g., stakeholder processes, day-ahead mechanisms considered, cost benefit analysis undertaken — can be found at: <http://www.ieso.ca/imoweb/edac/edac.asp>

Market Design

The first major effort undertaken by the IESO following IESO Board approval in September 2008 was the development of the EDAC Market Design. This process

was done in consultation with stakeholders and it resulted in approval of the final EDAC Market Design by the IESO Board on February 4, 2009.

The Market Design establishes the processes and outcomes required to implement EDAC. It also provides the foundation for developing market rules and constructing the Detailed Design documentation required for procurement.

While no significant design issues were identified through stakeholder activities, stakeholders did, in several areas, require the IESO to demonstrate that design principles were complete and would produce the desired outcomes. This resulted in additional work and improvements with respect to settlement equations (to ensure that the settlements principles can be implemented without adverse consequences) and the efficient modelling of combined cycle generation in the process.

Participants in the stakeholder processes supported the final Market Design document, while emphasizing the need to ensure that the desired outcomes are not compromised as the project is implemented.

Development of Market Rules

Market rules development is proceeding in three groups: enabling rules, 'EDAC engine' requirements, and settlement requirements. The first two groups of rules were considered together by the IESO Technical Panel and were approved by the IESO Board on September 15, 2009. These first two groups of rules provide the necessary grounds to proceed with detailed design of the largest cost element of the project, the 'EDAC engine'. They also provide the foundation for the more

orderly development of settlement rules based on a fixed set of 'EDAC engine' requirements and the completed Market Design.

The current work plan calls for settlement rules development to be completed by the end of 2009 with review and approval by the Technical Panel in January 2010 and IESO Board shortly thereafter.

Detailed Design

With the completion of the EDAC Market Design, the IESO launched a second major effort to plan and estimate the schedule, costs, and resources required to complete the Detailed Design stage of the project.

The IESO's planning and estimation activities have revealed several important linkages between various areas of detailed design which have affected the overall delivery schedule. Specifically, there are dependencies between detailed process design, documentation and market rule development which reduce the ability to conduct activities in parallel. This has added several months to the project schedule. As well, some additional work will be required on design aspects of combined cycle gas unit modelling. This could add some cost and time to this aspect of the project.

The Detailed Design phase of the project is expected to be largely complete in early 2010.

Project Schedule and Cost

Based on a review of costs, the schedule for procurement and the status of the Detailed Design Stage, the IESO has established a revised timeline and costs estimates for the project.

The current project schedule calls for market trials to commence in mid 2011. The total approved capital currently remains unchanged at \$26.5 million with projected expenditures of \$6.4 million, \$13.5 million and \$6.6 million in 2009, 2010 and 2011 respectively. The current design achieves the benefits identified in the original cost/benefit analysis. The project costs and the timing remain subject to some variability depending on the final design.