

## Minutes of Commercial Reconciliation Sub-Committee Meeting November 19, 2004, 9:00 A.M. – 3:00 P.M. Location: Skymark Boardroom

### IMO Attendees

Victor Wong	Meeting Chair
Lisa Lam	
Rayhan Malik	
Edward Arlitt	
Warren Hill	

### External Attendees

Ravinder Gupta	Hydro One
Naveed Ather	OPGI
Phil Walker	OPGI
Shelly Parker	St. Catharines Hydro
Greg Hall	Utilitsmart
Kevin Myers	Veridian
Jennifer Croke	EnerMajica
Heather Sears	EnerMajica
Tom Wasik	Enersource
George Rosati	Enersource

### 1. DAM – General project Status Update (Edward Arlitt)

- Currently in phase 4 of DAM.
- Internally, the IMO is mapping out its business processes for the DAM.
- Externally, DAM detailed design documents have been posted on the IMO Public website and DAM Market Rule amendment proposals can be viewed in the market rules section of the website.
- The initial steps for system procurement and the initial RFI for settlement systems have been issued.
- IMO is expected to issue a formal RFP in December, subject to the approval of phase 5 of the DAM project.
- Received some positive feedback from market participants regarding design documents. They were found to be really helpful with how DAM works and there is a request to maintain the content of these documents in some form into phase 5.
- The December 10<sup>th</sup> meeting of the current IMO Board, it will be asked whether or not they wish to endorse the current DAM market rule package. This will NOT be a formal approval of the rules.
- The current plan is that the new board would be asked to formally approve DAM market rules and the next phase (5) of the DAM project. This of course could only happen following the Crown's appointment of new Board members, if it so chooses.
- Comment period on the market rules and the settlements amendment expires next week, any comments should be submitted to Technical Panel prior to the vote through the official channels outlined in the "market rules" page of the IMO public website.

- Rule amendment MR-00271, "Market Billing and Funds Administration", has very little impact on invoicing and payments. These rule provisions have been incorporated into MR-00270, "DAM Settlement".
- Rule amendment MR-00273, "Meter Registration" is a placeholder on any potential impact on metering. As no impact is expected, MR-00273 is not part of the market rule package going to the IMO Board meeting in December.
- MR-00275, "Market Monitoring and Surveillance" is not part of the market rule package going to the IMO Board meeting in December.
- New rule amendment issues are expected in the future, one is administrative pricing and how it would tie into DAM and the other is Market Suspension. These are two contingency items that may have to wait until next year for discussion.
- Detailed design document issue 3.0 is expected to be published on the IMO Website next week
- Discussed scope of Detailed Design Issue 3.0 which includes:
  1. How to get units under AGC-nominate generation units into the DAM and its impact in the DAM calculation engine their its treatment in settlements.
  2. How to match intertie transactions between DAM and real-time market – over the course of discussing MR-00270, the DAM Working Group and the Technical Panel agreed that settlements is not the right place to address this issue as it is more of a compliance/surveillance matter. Discussion of this topic has been limited in the DAM Detailed Design Document "Settlements" as a result.
  3. PCG commitment adjustment – market participants want the assessment done on a 5-minute basis. In addition, as part of market rules the concept of a "deadband" has been added to gauge if a market participant has come reasonably close to their DAM operational targets. Market manuals will have to reflect the size of deadbands that need be worked out in the future.
  4. PBC uplifts, what is DAM PBC should be able to transfer components of hourly uplift and the PCG uplifts from the buying market participant to the selling market participant. This mechanism will be similar to what is offered in real-time PBCs.
- DAM marketplace capability training courses will be made available prior to DAM market opening. Face-to-face courses, workbooks, system simulations, and Quick Takes (if needed) are expected to be developed.

## 2. DAM – Discussion of Possible Future Agenda Items

- 45 comments received with respect to settlements DAM Detailed design document
- Q&A on DAM detailed design document available on the DAM page of the IMO public website.
- Future agenda items will include break down of settlement amounts into CT's (today's topic) as well as granularity, phase 4/5 content of first settlement advisories, phase 5 format of first settlement advisories, content of second settlement statement and data files, and phase 5 format of second settlement statement files and data files.
- Q: What is the future of more MP and DP line items and how that might impact how we fit into our current format? Number of columns and format of settlement files?  
A: This item is for future agenda items. We will not be able to move forward to phase 5 issues until we receive appropriate funding approval and systems. In the meantime there are other near-term issues that can be discussed at CRSC such as the break-down of settlement amounts into charge types.
- Victor raised the point that the IMO is not as familiar with how data file is used by market participants and is soliciting any comments or feedback with the current format and will look into seeing if it can be added into future changes to coincide with DAM. One participant raised the point that the IMO should look to have OR prices in the data file.

### Action Item for CRSC members

Submit feedback to Victor regarding current format of data file and any suggestions to improve

- CRSC group suggested that the IMO create a settlements issue log, include comments into issue log to track development.

### **Action Item for IMO**

Look to see if a settlements issue log may be created and posted on the IMO public Web

### **3. DAM - Detailed discussion of Charge Types**

- The group began a preliminary discussion of how to break down the various settlement amounts into charge types.
- This is intended to help define future discussions regarding content and format of settlement statements and advisories
- Working its way to the rules process and how to pull apart settlement equations and how they show up on settlement statement
- During his presentation, Edward Arlitt reviewed:
  - The inventory of requests received by the DAM project as part of the stakeholder review of DAM detailed design documents
  - Current practice of charge type breakdown in real-time market.
  - Going forward policy options for charge types, in terms of 3 general categories: 1) Highest granularity - different charge types for every possible variation 2) Consistent with current practices, which is what the initial proposal is based upon 3) Fewer charge types - aggregation of various settlement amounts into a smaller number of charge types
  
- Q: Have we done an analysis of what types of settlement problems we receive through the Notice of Disagreement Process?  
A: metering data is the number one source of Notices of Disagreement.
  
- Q: The Load Forecast Accuracy Uplift (coming from IMO) is a distribution of production costs to the entire market which pays for an over-forecast. Is the IMO committing to ensure the forecast is accurate and meets any performance measures?  
A: We suspect that we would have to be a public record. Other jurisdictions publish statistics for forecasts with a commitment based DAM. If IMO did not take on the task of providing a load forecast, then that task would have to be taken up by market participants to provide the IMO with load forecast – as is the case in some jurisdictions such as New York.
  
- Discussed new and modified settlement amounts as per the current charge type proposal that was issued to the CRSC members for discussion purposes
  
- Q: Does GST apply to DAM?  
A: The IMO is currently in the process of seeking an opinion from CCRA on this matter.
  
- The group discussed stakeholder review of a preliminary IMO proposal for translating these settlement amounts into charge types
- The group reviewed a proposed draft breakdown of charge types to support the DAM implementation. This draft proposal was issued for discussion purposes only. Comment and feedback on this proposal is being sought for the December 9<sup>th</sup> CRSC meeting.
- For the second settlement portion of the proposal, members should note that the proposed new charge types include charge types that would replace existing charge types.
- Want to get agreement on charge types based on feedback from market participants

### **Action Item for CRSC members**

Provide comments to Victor on the new charge types

- With respect to the charge types proposals, members discussed four specific issues:
  - hourly Operating Reserve settlement amount (HORSA),
  - DAM Pass 2 Import uplift,
  - Production Cost Guarantees (PCG),

- Second settlement CMSC balancing (CMSC{2})
- Issue 1: is it necessary to create separate charge types for Pass 2 imports or keep as part of the 3 charge types, no strong opinions on how this should be done
- Issue 2 - (Pass 2 Import Uplift): the proposal in the detailed design is 2 separate charge types for surplus or deficit. As an alternative, we could have only one charge type for this.
- Imports arranged to meet forecast load, essential load not part in DAM. If there is a surplus, then the whole market should participate in the surplus.
- Issue 3: is a separate PCG charge type required for pass 2 imports?
- Issue 4: CRSC members were asked to carefully consider the proposed break-down of the second settlement CMSC balancing charge types (CMSC{2})
- Q: Is there a big problem in creating several CT's?
- A: Do not want technology to drive this decision, we want it to depend on user needs.
- The IMO would like to close this issue on charge types by early in the new year. We would like to have a more detailed discussion on the December 9<sup>th</sup> CRSC meeting. Please send comments before then to Victor.
- Another consideration is for XML and whether it is the preferred format we would like to move forward with, and if it is feasible for market participants.

#### **Action Item for CRSC members**

Send comments to Victor on XML format

#### **4. Bill 100 – Settlement Implications (Joseph Freire)**

- Expected to pass into law in early December. Initial communication from the IMO released today and available at: <http://www.theimo.com/imoweb/news/newsItem.asp?newsItemID=2094>
- Draft regulations are available on the Ministry of Energy Website at: <http://www.energy.gov.on.ca/index.cfm?fuseaction=electricity.regulations>

#### Review of Draft Regulations

- Adjustments Re Section 25.31
- Contains the formula to calculate the global adjustment (GA). The global adjustment is the difference between market payments for OPG regulated generation and regulated payments, between market payments for NUG's and NUG contract payments, and in the future, between market payments for RFP generation and RFP contract amounts.
- GA will be applied to the settlement statement for the last trade day of the month for all market participants with AQEW. In the case of distributors, their GA allocation will be based on their AQEW plus their embedded generation.
- One concern for LDC's is that their billing cycles do not always coincide with the IMO's. As a result the monthly GA produced by IMO may not be available when it is needed by LDCs to bill their own consumers. To overcome this, the IMO will be providing a daily GA amount. The daily GA estimate will include the actual calculation for the regulated generation adjustment and the estimated values for the NUG adjustment amount and embedded generation.
- Payments re Section 25.31
- Regulation describes process for calculating adjustment for Low Volume (LV) and Designated Consumers (DC) relative to the Regulated Pricing Plan (RPP).
- For LDC's the calculation is (RPP - (HOEP+GA))
- For Retailers using Retailer Consolidated Billing the calculation is (RPP – HOEP)
- Payments Re Section 25.32
- Regulation describes process for calculating the adjustment for LV and DC relative to the contract price and HOEP.
- Prescribed Generators and Facilities re: Section 78.1 of the OEB Act

- Identifies prescribed generators as being Pickering, Darlington, Beck, Saunders, and De Cew Falls. This regulation is not yet clear on the calculation methodology.
- Q: Will there be a different rate for each plant?  
A: The regulation is not specific, the same rate may be used, or there may be a different rate for each plant. We have started to develop the tools to meet these different approaches in the calculation.
- Impact of the payment regulations will be mainly the LDC's. The Adjustments regulation will affect all market participants and the Prescribed Generators regulation will impact OPG.
- Concerning the global adjustment, we talk about daily and monthly. Market participants will only see a monthly GA amount on their settlement statements. We will post the daily global adjustment on the IMO website, probably in an html/csv file in order to provide for easy access by participant tools. Q: Why could IMO not provide a blended rate? The regulation states that this rate must be included as a separate item on all non-rate protected customer invoices. Of course, regulated consumers will only see RPP prices. Also, since Embedded Generation is paid at HOEP, LDC's need to know the actual market price in order to pay these generators.
- IMO to post daily rate for GA. LDC uses this posted rate for their billing purposes however LDC's are invoiced on the monthly GA value.
- In the future, OPA will maintain a variance account for LDC submissions and not OEFC as in the past.
- Q: What format does the IMO use to allow LDC's to provide EG amount?  
A: We will utilize a monthly form, similar to Form 1562, to provide this info to IMO.
- LDC submissions to the IMO -> IMO goal is to try to maintain the current process, if possible, and follow existing procedures. This includes, maintaining existing timelines from LDC's, i.e. 4 business days after month-end.
- Information required by IMO will include the amounts specified in the payments regulations and the amount of embedded generation. The volume of electricity supplied by EG, will include the actual for the prior month and the daily forecast for current month.
- Every market participant will get their GA allocation for all of their load at month end. We do not know how many of the LDC's consumers are on regulated vs. non-regulated rates and need the LDC's to perform the calculations as per the Payment regulations.
- New charge types (CT) will be created.
- We expect both 1562, and the new form, to continue to be submitted to the IMO for some undetermined period until all prior (to Bill 100) reconciliations are complete.
- New form number not yet available.
- Everyone has to pay the OPA fee which will be reflected in a new Charge Type
- New CT's will be needed for the regulated OPG generation adjustment, the NUG adjustment, the 2500 MW RFP adjustments and for the 300MW RFP adjustments. All of these are captured on the GA allocation
- Market participants can expect 2-3 new CT's.
- LDC monthly submissions are backstopped by OPA. OPA will have a variance account which the OEB will consider when setting rates in order to clear this variance.
- Over a dozen new CT's will be needed. Half of which will be for OPA
- Q: Is IMO/IESO rate going to change?  
A: We have currently applied for the same rate.
- From a tool perspective, daily adjustment will be similar to other pricing reports. CRSC group would like to see dummy data created by December for testing purposes.
- CRSC group would like to see another form or another page on same form to identify/add their true-up amounts for their monthly submissions. They feel that it will make it easier for LDC's for their audits.

### Action Item for IMO

The IMO will look into this issue further for next meeting to see if it is feasible

- Victor raised the question of whether or not we should we have a web-based form for LDC's to submit their monthly information
- Q: Will there be a change in the GA from PSS to FSS
- A: Yes, since there is usually a change in AQEW between the preliminary and final statements there will be a change in the allocated GA, however, the change may not be significant.

### Schedule of Upcoming CRSC Meetings

- **Thursday, December 9, 2004** - Agenda to be announced. Location is currently planned to be at Skymark but may be replaced with a conference call instead depending on the feedback from actions listed above and further new development on Bill 100.