

# Intertie Trading Sub-Committee

## Intertie Trading Sub-Committee Agenda Meeting #4

October 26, 2004, 9:00 – 12:00 (EDT)  
IMO's Skymark Office  
2645 Skymark Avenue  
Mississauga, Ontario

### DRAFT MINUTES

#### Attendees:

Erik Bellavance	HQEM
Carl Ecelberger	HQUS
Balwant Gill	Powerex
Randy Heaton	Ontario Power Generation
Doug Hillstrom	Cargill
Paul Kerr	Coral Energy Canada
Michelle Lozano	Epcor
Paul McCuaig	Powerex
Jon Speed	Ontario Power Generation
Noralyn Vasquez	TransCanada Energy Ltd.
Bill Wilbur	IMO
Harry Chandler	IMO
Daryl Haynes	IMO
Peter Lafoyiannis	IMO
Haris Iqbal	IMO
Darren Finkbeiner	IMO

**Via telephone:** Yuri Waldo    Brascan  
   Jack Burkom    Brascan

#### **Item #1: Information Sharing Agreement with NYISO**

Harry Chandler MACD briefed the ITS members on the information exchange agreement between the IMO and NYISO that came into effect in September, 2004



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The agreement deals with information sharing (co-operation) and the safeguards for the sharing of market information between the IMO and NYISO as it relates to inter-jurisdictional trading.

The agreement does not change or overrule any existing rules or tariff obligations.

The agreement is designed to facilitate the work of the market monitoring units of both the IMO and NYISO to address intertie transactions that fail, contrary to the rules. Under IMO procedures MACD sends a Notice of Intention to Investigate and requests bid/offer information in the NY market to determine if it falls within the relevant safe harbour in the guidelines. If the IMO obtained the bid/offer information directly from NYISO than more than half of the Notices would not need to be sent.

**Attendee Comment:** Does not believe that this reduced paperwork is a bonus because it removes MACD's presence. It is good for MPs to know oversight of market activity is a constant in the IAM.

**Attendee Question:** Prior to this agreement was there written authority for the IMO to share information?

**Harry Chandler Answer:** The IMO currently can share confidential information with other jurisdictions under the exceptions provision in Chapter 3, Section 5.3.1.10. This new agreement adds safeguards that are not under present arrangements. MPs should feel comforted that information will be handled in an appropriate manner.

**Attendee Question:** What does it actually accomplish?

**Harry Chandler Answer:** It's incremental, a first step to facilitate the exchange of confidential market information. It allows participants to authorise the sharing of this information. It prepares for the next step of changes to the NYISO tariff to allow the sharing of confidential information. Such a tariff change is a matter under consideration by FERC, although there is no clear timetable on when this will happen. The agreement is to the benefit of all MPs because it clearly facilitates effective oversight of the integrity of both markets.

**Attendee Question:** Would MPs be notified if their information is exchanged?

**Harry Chandler Answer:** Not our intention to do so.

**Attendee Question:** Why hasn't MACD or NYISO approached us seeking waivers?

**Harry Chandler Answer:** The IMO wanted to give MPs an opportunity to review the agreement and allow a discussion such as today's.

**Attendee Question:** What kinds of conditions would be put on the use of information by the sender?

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**Harry Chandler Answer:** In general, that it can only be used for the purpose intended. More stringent conditions can be applied if it is desirable, given the circumstances of a particular matter.

### Item #2: Intertie Trade in the IMO's Planned Day Ahead Market (DAM)

Darren Finkbeiner discussed the DAM and Intertie Trading presentation.

Intertie trading in the IMO Day Ahead Market (DAM) looks similar to PJM or NYISO DAM intertie trading. If you can transact today in the real-time market (RTM), you can transact in DAM. Do not have virtual trading at this time on the ties DAM model has changed a few parameters of bid/offers process in RTM. There are still hourly bids and offers but there is also a block bid and offers, similar to other jurisdictions.

Example of block bids and offer:

Suppose a bid of 100MW for three consecutive hours (must be between 2 to 24 hours) for \$80. Submit a single P/Q for the three hours \$80/100MW

Hour	1	2	3	
Bid price	\$80	\$80	\$80	
Unconstrained Price	\$80	\$81	\$79	Average 80 over the 3 hours

Average price for the block determines if you are accepted for the entire block. In above example, the MP would have been accepted for 3 hours as the average price met the price in the P/Q pair bid/offer. You can submit laminations in a block or single P/Q pairs. If the average had been below \$80 you would be out for the whole three hours even if one of the hours was over \$80 as this is based on the average of the block.

DAM intertie trading is financially binding similar to NYISO. Hourly Intertie trades can set price in DAM. Block bids are not used in the price setting mechanism and cannot set price.

There would no longer be FTRs in RTM, as they would exist in DAM only. A real benefit is there are no failures in DAM and FTRs will be paid out if congestion in DAM. It is possible to have FTR payments on DAM congestion that does not occur in RTM.

DAM gives you opportunity to settle differently in RTM – go out to other markets to sell off your DAM position. DAM schedules will be translated into RTM and then you can modify your position in RTM or not. IMO believes that this is a service for MPs. Under the current design of DAM, MPs cannot decrease bid/offer quantity in RTM below the DAM schedule without IMO approval but there is no price change restriction.

A Production Cost Guarantee will hold importers whole when scheduled uneconomically in DAM based on forecast load – a “Day Ahead IOG.”

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There will be DAM CMSC similar to RTM. You will not receive CMSC in DAM and RTM for the same transaction.

PJM, NY do not have unconstrained model, however IMO will continue with the unconstrained and constrained model. DAM will have 5 passes in the DAM calculation engine. There will be four passes of the constrained model and one pass of unconstrained. Pass 3 will set the quantity to which you are financially bound and get dispatch instructions. Meeting bid loads occurs in pass 1 and reliability from pass 2. Pass 5 sets price. Note that block bids are similar to “must run” and go directly to pass 5. In summary, DAM pass 5 unconstrained run does set price but the constrained pass three gets you the money.

Settlements is completed in pass 3 and pass 5 which will also include a reconciliation of DAM and RTM CMSC payments

**Attendee Question:** Will transactions scheduled in DAM ever be preempted by RTM TLR?

**Darren Finkbeiner Response:** Darren identified that this is an area that the IMO is currently considering and recognizes the concern regarding DAM financial obligations and we should consider DAM priorities for internal/external curtailment. – It was identified that the Emergency Operating State Control Actions List would need to be modified to incorporate any change in light of DAM priorities. .

Importers will receive no RTM IOG if scheduled in the DAM.

### **ACTION:**

1. IMO is reviewing whether or not to keep IOG – internal discussion first and then IMO will present issue for consultation. The IMO and stakeholders must keep in mind why we put mechanisms like IOG and SGOL in market in the first place. We may need to modify our current thinking.

**Attendee Question:** A Question of Timing – Given the complexity of the issues that have been discussed today how will IMO put these into detail designed before the end of the year?

**Darren Finkbeiner Response:** DAM WG is working on these issues. Also, we will be back here discussing DAM intertie trading at future ITSC meetings.

**Attendee Question:** Can you speak to the nature of this group once Bill 100 legislation is passed?

**Bill Wilbur Response:** It appears that MAC will continue in some format and if you remember that this is a sub-committee of MAC then there is a strong likelihood that this group will remain.

**Darren Finkbeiner Response:** The IMO appreciates and values stakeholder input in the design, implementation and ongoing day to day function of the IAM. Although the structure

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may change the IMO at this time does not envision a significant change to our stakeholder relationship.

### Item #3: Intertie Shadow Prices

Bill Wilbur continued discussion from the June 1 meeting of intertie shadow pricing. Talking to his action item:

1. The IMO to provide further reasoning as to why the shadow prices can't be reported and could lead to wrong interpretations.
2. The IMO will look at publishing pre-dispatch intertie shadow prices with appropriate caveats.

IMO tools calculate all nodal prices and a subset is published but none of the intertie nodes are published. There are limitations on the number nodes we can publish – tools currently do not allow unlimited node publishing

Tools currently make it necessary to publish a nodal price for both pre-dispatch and RT – IMO needed to pick which of 260 nodal prices out of 1200 nodal prices to publish. RT nodal price does not provide any useful information to MPs. Also pre-dispatch intertie nodal prices are not always meaningful because of other issues such as Net Intertie Scheduling Limit (NISL).

#### **ACTION:**

1. Continue to look at what we currently have available for intertie nodal prices and how the IMO can identify the caveats for the potential problems with predispach nodal prices. Report on progress at next meeting

### Other Item(s) Identified by Participants or IMO

Northeast Independent Market Operator Co-ordinating Committee (NIMOCC) gets together regularly for market issues meetings. If there is anything you would like addressed at this meeting please feel free to suggest topics or issues.

The MISO energy market will be opening in 2005 and IMO will be up against another bid based market. Currently we have a NYISO scheduling protocol. The IMO is trying to arrange a similar protocol with MISO to minimise failed transactions.



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### ACTION ITEMS FROM PREVIOUS MEETING(S)

1. Events of January 15 setting new peak – Suggestion that a quick take be done for Market Manual 7.4. Have **not done this yet still working with Training department.**
2. Participants would like to have a simple table of planned actions for each possible scenario or base case. **Working on table and will post when complete.**
3. The IMO will change base case 6 as discussed, leave others alone for now. Further discussion on the appropriateness of base case 5 can occur at the Market Pricing Working Group. **Base case has moved to MPWG.**
4. IMO to report back to Intertie TSC with status of NISL report. **Identified as a desired change, but not a high priority as of now.**
5. The IMO to provide further reasoning as to why the shadow prices can't be reported and could lead to wrong interpretations. **Addressed under item #3 today.**
6. The IMO will look at publishing pre-dispatch intertie shadow prices with appropriate. **Addressed under item #3 today.**

### Next meeting

The next meeting of the Intertie Trading Sub-committee will be in February. A date in the middle two weeks of February will be chosen and announced in January.

Suggested topics for the next meeting:

Intertie Shadow Prices – continued discussion

Imports/exports in the DAM – continued discussion.