
October 18, 2018

IESO Engagement

Re: Energy Workstream Comments

OPG appreciates the opportunity to provide comments following the September 20, 2018 Market Renewal Energy Workstream stakeholder engagement meetings. OPG's comments pertain to the materials presented on Single Schedule Market (SSM), Day Ahead Market (DAM), Enhanced Real Time Unit Commitment (ERUC), and Detailed Design Phase.

1. SSM

Intertie Congestion Pricing

The IESO presented the preliminary decision to proceed with 'option 3'¹ for Intertie Congestion Pricing (ICP) where the real-time intertie settlement price is equal to:

- a) RT internal node LMP + PD ICP, when export congested
- b) Min (PD intertie LMP, RT internal node LMP), when import congested
- c) RT internal node LMP, under no congestion

While OPG supports option 3's approach for pricing during export congestion, OPG does not support the asymmetrical treatment of pricing when an intertie is import congested. As stated in previous comments, OPG does not agree with the rationale that interties should be settled consistently with internal constrained resources considering interties are not 5-minute dispatchable.

Furthermore, regarding the IESO's concern that the status quo for ICP (when import congested) could result in increased costs because of interactions between the DAM and RT where 'loads may end up guaranteeing the same import MW twice', this issue could be easily addressed through coding that would prevent the applicability of a RT-IOG on any MW less than or equal to a DAM scheduled MW quantity.

¹ <http://ieso.ca/-/media/Files/IESO/Document-Library/engage/dam/dam-eruc-ssm-20180920-intertie-congestion-pricing.pdf?la=en>

Additionally, the IESO has indicated in its response to July stakeholder feedback² that the concept of an implied wheel will continue in SSM. In a situation where a marketer has an implied wheel transaction while interties are import congested, and the RT price increases relative to PD, a marketer is further disadvantaged compared to today as they will be exposed to the higher cost on the export leg while being price capped on the import leg.

2. DAM

Global vs. Zonal IESO Load Forecasts

OPG supports the IESO's preliminary decision to move to zonal forecasting for non-dispatchable load (NDL) and manage forecast accuracy on a zonal basis to increase price convergence and the efficiency of the day-ahead unit commitment. On this matter, OPG assumes the IESO will revise its public reports to reflect load forecasts zonally. OPG would appreciate confirmation if this will be the case.

Optimization of Energy Limited Resources

OPG appreciates the IESO's collaborative approach to understand and capture the operating characteristics that would need to be respected in the new DAM engine for optimized scheduling. In addition to the list presented, OPG asks the IESO to consider one additional factor in scheduling hydroelectric resources:

- Schedule hydroelectric resources based on Facility Daily Energy Limit (DEL) instead of Resource DEL. Since DEL is offered at the resource level, scheduling with facility DEL (the sum of all resource DELs within the facility) serves to accurately reflect water available in the forebay that may not be utilized if one or more resources within a facility are unavailable. This also provides the IESO additional flexibility in scheduling.

Ex.) If a facility has 2 identical resources each with 6 unit hours of energy, the optimization engine would have the flexibility to schedule 12 hours on one resource.

OPG agrees with the other listed software requirements.

² <http://ieso.ca/-/media/Files/IESO/Document-Library/engage/dam/dam-eruc-ssm-20180816-response-to-feedback.pdf?la=en> (pg 19-20)

Make Whole Payment Guidelines

The guidelines presented for make-whole payments are logical and incent proper market behavior. It will be both helpful and important during the detailed design stage to identify and flush out additional examples than those provided in the presentation.

Treatment of Non-Quick Start (NQS) Ramp in DAM

OPG understands the IESO's rationale for the preliminary decision to include ramping energy in a NQS resource's financially binding DAM schedule although this will provide additional risk for generators. This risk should be considered in the discussion for reference pricing in Market Power Mitigation.

3. ERUC

Look-Ahead Period (LAP)

The IESO's response to OPG's request for delaying the preliminary decision for LAP timing did not address why the initial ERUC run could not be earlier. While the 20:00 run (per IESO presentation) is sufficient for reliability, OPG believes the earlier the ERUC engine can be run, the greater the opportunity for resources (ie. Hydroelectric) to react to updated changes in conditions (e.g. revised demand, variable generation forecast changes, SBG). For example, at 18:00, given an increased view of SBG for tomorrow, hydroelectric resources may be able to run additional water within the remaining hours of today to help mitigate tomorrow's SBG.

Additionally, a 20:00 initial ERUC run does not provide opportunity for gas suppliers (unless they have a fuel contract) to procure additional gas that may be required for the next day between HE1-HE15 should the ERUC results identify the need. An 18:00 initial run would provide suppliers a minimum amount of time required to meet the North American Energy Standards Board (NAESB) ID3 deadline at 19:00 to procure any gas between 22:00 today and 9:00 tomorrow.

Finally, an earlier ERUC run also supports one of the key objectives of Market Renewal for transparency by facilitating a transparent unit commitment process and reducing the usage of manual commitments that may be identified during the period between the DAM and first ERUC run.

Pending sufficient software capabilities, OPG strongly believes this decision merits reconsideration.

Intertie Transactions

OPG agrees with the IESO's concerns that including all non-DAM transactions in all ERUC runs could result in commitments supporting transactions that may not materialize; however, OPG suggests that

the IESO consider the designs of neighboring markets on this issue which provide marketers a short opportunity to react to market signals. NYISO's pre-dispatch engine includes non-DAM intertie transactions 150 minutes prior to RT with a 75 minute closed window which allows marketers 75 minutes to react to market signals. OPG suggests the IESO consider expanding the current preliminary decision of only including non-DAM transactions in the T+1 and T+2 (closed) window to include the T+3 hour. This would allow for greater price transparency for marketers to respond to, and result in a more efficient market as a result. By extending this decision by only one hour to the T+3 window, OPG believes this window is sufficiently short that there will be minimal impact from transactions being scheduled that do not ultimately materialize.

4. Detailed Design Stage

As Market Renewal transitions into the detailed design stage, OPG would appreciate understanding at what point in the timelines the IT (vendor) decision is planned to be made.

In closing, OPG recognizes the collaborative efforts and undertaking the IESO has led for this initial stage of Market Renewal. Although there remain detailed issues to be resolved, OPG is committed to working with the IESO in arriving at a solution that benefits the Market and the Customer.

Regards,
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