

# MR-00338 Economic Dispatch of Linked Wheels Working Group



## Notes of Meeting - DRAFT

<b>Date held:</b> October 23 <sup>rd</sup> , 2008	<b>Time held:</b> 1:30 p.m. to 3:30 p.m.	<b>Location held:</b> Teleconference
<b>Invited/Attended:</b>	<b>Company name:</b>	<b>Attendance Status:</b> (A)ttended; (R)egrets; (S)ubstitute
Brian Bell	Ontario Power Generation	
Bellavance, Eric	Hydro Quebec Energy Markets	A
Chagnon, Guy	Hydro Quebec Energy Markets	A
Cormier, Pascal	Brookfield Power	A
Kaiman, Daryl	Brookfield Power	A
Kapteyn, Robert	IESO	A
Laurin, Marc Andre	Brookfield Power	A
Leung, Linda	Ontario Power Generation	A
MacKenzie, John	IESO	A
Maria, Gamal	IESO	A
Radan, George	Silverhill	A
Tintor, John	Aquilon	A
Wetzel, Ray	Constellation Energy	A
<b>Scribe:</b> John MacKenzie, IESO. Please report any corrections, additions or deletions to these notes to the following e-mail address: <a href="mailto:john.mackenzie@ieso.ca">john.mackenzie@ieso.ca</a>		

### Review of Notes from October 9<sup>th</sup>, 2008 Meeting

1. No comments.

### Follow-up on Action Items

Action Item	Status
4-1: IESO to revise design document to include the two settlement options: <ul style="list-style-type: none"> <li>• settlement on the basis of the pre-dispatch constrained sink and source intertie zonal prices; and</li> <li>• settlement on basis of real-time unconstrained sequence prices with a payment to keep participant whole to operating profit implied by pre-dispatch constrained sequence.</li> </ul>	Closed. IESO revised design document as noted and distributed it to the Working Group on 22 Oct 08.

## **Review of Design Document**

1. Day-Ahead and Hour-Ahead Pre-Dispatch Treatment
  - a) The IESO clarified that stakeholder consultation on the enhanced day-ahead commitment (EDAC) was ongoing with the Technical Support Group. The target completion date for the EDAC design is the end of 2008, and the target in-service date is end of 2010. If the economic dispatch of linked wheels is not included in the end-of-2008 EDAC design, the retrofit costs would be high.
  - b) Some of the traders expressed view that economic dispatch was necessary in both day-ahead and pre-dispatch evaluations so that traders can manage their risks in manner comparable to other markets. Others noted that if it was not possible to include the economic dispatch in the EDAC, economic dispatch should be included in pre-dispatch.
  - c) While it was recognized that EDAC is not a financial commitment, some traders noted that it did offer some protection day-ahead.
  - d) There was general agreement that all intertie transactions (linked wheels, imports and exports) should have comparable treatment. However, it was recognized that comparable treatment does not exist today and would not exist under EDAC or the proposed economic dispatch of linked wheels design e.g. exports are not eligible for any guarantees in EDAC or in pre-dispatch while imports are eligible.
2. Settlement Options
  - a) There was general agreement that settlement on the basis of the pre-dispatch constrained sequence intertie zone prices was preferred, as it has greater similarities to other markets and would cap the traders risk at the level established in the pre-dispatch constrained sequence.

## **Review of Benefits**

1. Stakeholders identified the following benefits of economic dispatch of linked wheels:
  - a) Improve price signals at the interties: existing prices distorted because of the existing requirements for linked wheels to offer at  $\leq -\$50$  and bid at  $+\$2000$ .
  - b) Reciprocal treatment of linked wheels relative to other markets, improving seams issues.
  - c) More efficient scheduling on the intertie capacity and dispatch of domestic generation.
  - d) Increased linked wheel volumes would mean more revenue to Ontario through payment of IESO fee and transmission export fee.
2. It was recognized that quantification of the benefits would be difficult. However it was noted that the current treatment of linked wheels exposes traders to undue financial risks and that correcting such a flaw in the IESO-administered markets should not require rigorous justification.

## **Linked Wheel Non-Energy Market Charges (MR-00347)**

1. Stakeholders noted the other linked wheel issue before the Technical Panel: MR-00347 Linked Wheel Non-Energy Market Charges; and suggested that the Working Group may be a good forum to develop a proposal to address that issue.

### **Outstanding Action Items**

5-1: IESO to update implementation costs to include settlement systems.

5-2: IESO to determine if the congestion, measured as the difference between intertie zone prices, has been greater in the PD unconstrained sequence relative to the PD constrained sequence.

5-3: IESO to confirm the basis under which intertie transactions (imports, exports and linked wheels) would cut in real-time to address reliability concerns.

5-4: Aquilon to draft discussion of the benefits of the proposed economic dispatch of linked wheels for the Working Group to review. Aquilon asked OPG and Brookfield to consider and document the potential benefits to domestic generation as a result of more efficient intertie scheduling as noted above under Benefits 1(c).

### **Next Meeting**

Wednesday November 5<sup>th</sup>, 2008