



December 9, 2002

HOURLY-AHEAD DISPATCHABLE LOADS (HADL) IN THE IMO-ADMINISTERED MARKETS

Proposal

The IMO is considering the creation of a new class of market participant - an hour-ahead dispatchable load (HADL). For this product:

- Participants will submit data to the IMO indicating the price at which they will reduce their consumption and the amount of load that they will reduce at that price.
- Market participants will be scheduled to consume/reduce consumption for the following hour based upon the hour-ahead pre-dispatch sequence and the pre-dispatch price forecast. That is, HADLs will receive their consumption schedule for the upcoming hour in advance of that hour (about 20-30 minutes before the start of the hour). Market participants will not receive 5-minute dispatch instructions and won't require a dispatch workstation.
- The consumption schedule for the load will be fixed for the hour. That is, the schedule will not change within the hour unless changes are required for reliability reasons.
- The load is expected to alter its consumption immediately at the beginning of the hour.
- If the real-time price is calculated at a value less than the load bid, the load will receive payment to keep them whole to their bid and recover lost profits (in a manner similar to the Intertie Offer Guarantee for imports).
- Hour-ahead dispatchable loads will participate in the energy market only. That is, hour-ahead dispatchable loads are not eligible to participate in the operating reserve market. Loads that wish to be dispatchable and provide operating reserve are encouraged to register as a load that is dispatchable on a 5-minute basis.
- Hour-ahead dispatchable loads are expected to require the same operational metering as a non-dispatchable load.
- HADL participants can make a part of their load dispatchable on an hourly basis and the remaining part of their load non-dispatchable. At this time, the IMO will not enable a load facility to participate as both an hour-ahead dispatchable load and as a 5-minute dispatchable load at a single delivery point. However, this may be possible in the future.

Benefits

This proposal is expected to provide the following benefits to loads:

- Loads will receive a consumption schedule fixed for the hour, known in advance of the start of the hour. For many loads, an hourly dispatch interval is more consistent with the dynamics of their process dynamics. In addition, the advance notice of the hourly schedule will allow loads to better plan their work schedule.
- An hourly dispatchable load will benefit by reducing their consumption when price rises above the level at which they are willing to consume. To facilitate this event, HADLs will receive a signal from the IMO to reduce consumption. In these situations, the load participant will avoid paying high energy prices. A 'bid guarantee' will keep the load whole to its reduced consumption. That is, in those circumstances when the real-time energy price falls below the bid price of the load, the load participant will recover its lost profits. This is significant to those load customers who have adjusted consumption based upon pre-dispatch price forecasts but found that the real-time energy price was lower than expected.

Implementation

Two methods are currently being considered for implementation of this proposal – an automated solution and a contract/procedural-based solution. The methods of implementation will be developed (involving stakeholder sessions and impact assessments) and chosen later. The elements of the proposal stated above are independent of the method of implementation.