

IESO SENIOR MANAGEMENT UPDATE

To: Stakeholder Advisory Committee

Date: May 1, 2006

Subject: **Implementation of Day - Ahead Commitment Process (SE-16)**

Information item

The implementation of the day-ahead commitment process (DACP) involves generators, dispatchable consumers, and importers who are transactional through their submission of bids, offers and schedules. For other stakeholders, including local distribution companies and non-dispatchable consumers, the effects of the DACP implementation will be limited to new settlement charges, pricing and uplifts.

The majority of the operational changes for DACP were placed into the sandbox test environment on April 10th with the second release on May 1st, and we encouraged market participants to test their system access in our sandbox environment during this period.

The DACP trials working group was set up to facilitate testing the DACP interfaces between the IESO and market participants. The working group focused on developing tests for the participant-facing usability and readiness of the DACP processes and tools. The tests were based upon the execution of pre-defined scripts which were conducted on a schedule by both the participants and the IESO.

The representative stakeholder DACP trials working group met via webcast (a combination of joint web pages and conference call) every Wednesday starting on March 23rd and had its final meeting May 3rd. Members represented 17 companies consisting of marketers, generators, dispatchable industrial consumers, service providers, distributors, large non-dispatchable industrial consumers and non-dispatchable consumers. The working group provided comments on the DACP trials plan developed by the IESO which contained over 25 test scripts that tested the operation of the DACP under the various situations possible.

The DACP operational testing for all interested market participants is taking place from April 30th to May 31st and involves both an operations simulation (from May 8th to May 24th) and a settlements simulation (over the duration of the test period). These participants use their processes and systems which they intend to put into production when DACP is placed in-service after the trials. As of May 9th, 13 participants consisting of marketers, generators and dispatchable industrial consumers are engaged in the testing. Testing has resulted in some modifications to tools and manuals.

The successful completion of testing gives as realistic an indication as possible of the DACP's usability and readiness for live operation in conjunction with the real-time markets.

On May 24 the IESO will notify market participants of the intent to begin DACP on June 1; consistent with the market rule notification requirement of at least 5 business days prior to the start of DACP.

On May 8, 2006, the IESO Board unanimously approved the following four amendments to the market rules that apply to the DACP.

- Minimum Generation Block Run-Time. This amendment defines a minimum generation block run-time for generation facilities. This amendment is necessary to ensure that during the DACP, the IESO applies constraints to generation facilities that accurately reflect the capability of the facility.
- Prohibit Import Eligible for DA-IOG to be part of a Linked Wheeling through Transaction. This prohibits import transactions that are part of a linked wheeling through transaction from being part of the DACP. This amendment is necessary to ensure that an import committed in the DACP and eligible for a day-ahead inter-tie offer guarantee provides the reliability benefit to Ontario paid for by the guarantee.
- Temporary Extension to Notice of Disagreement (NoD) Window. This amendment temporarily extends the time period during which market participants may submit a NoD from four business days to five business days for two billing periods. This is necessary to aid the implementation of the new and revised market system settlement tools and processes for the DACP.
- Real-Time Inter-tie Transaction Failure Charge (RT_IFC) - Interim Reporting of RT_IFC on Preliminary Settlement Statements. The amendment proposes that until the IESO has the software capability to include real-time inter-tie transaction failure charges in daily

preliminary settlement statements, the IESO may include these charges in the preliminary settlement statement issued for the last trading day of a billing period. This amendment is needed so that the real-time inter-tie failure charge can be implemented at the same time as the day-ahead inter-tie failure charge associated with the Day-Ahead Commitment Process.