

IESO SENIOR MANAGEMENT UPDATE

To: Stakeholder Advisory Committee

Date: June 28, 2006

Subject: 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 are limited to new settlement charges and uplifts.

The successful completion of the DACP Trials testing gave 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, 2006 the IESO notified 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 31, 2006, market participants' submitted pre-dispatch data to the IESO and DACP operated for the initial trade date of June 1st.

Attached is a document providing some early results of DACP operation. In general, there has not been significant participation from day-ahead imports. This is to be expected, given that the period has seen modest demand compared with a similar period last year.

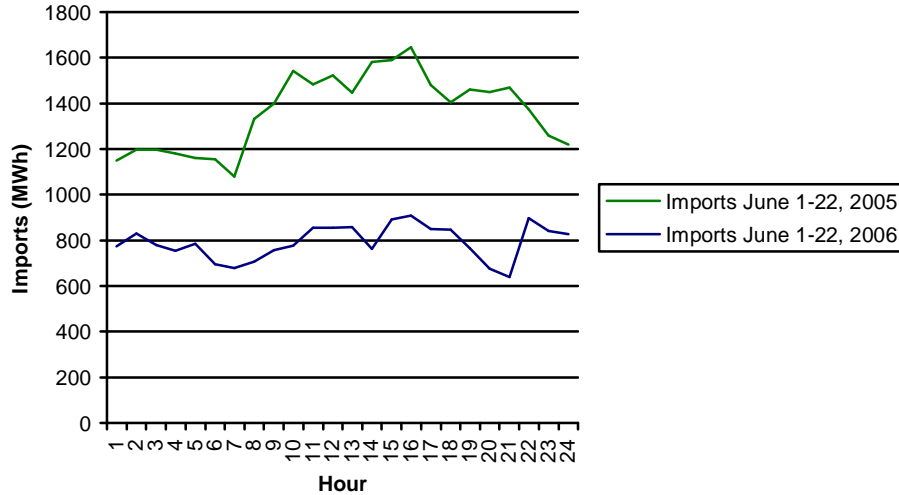
Total Inter-tie Offer Guarantee (IOG) costs on a MWh basis for 2006 compare favourably with results of June 2005. One interesting outcome is that all imports scheduled day ahead were successfully scheduled in real time during the study period of June 1 to 22, 2006.

Day-ahead generator cost guarantees (DA GCG) starts have been comparable to prior real time spare generation on line (RT SGOL) starts. Costs related to this activities will be available in the month of July.

The IESO will continue to monitor the results of DACP operation and work with participants on SE-22 Assessment of the DACP through the summer period.

DACP Activities June 1-22, 2006

Volume of Imports



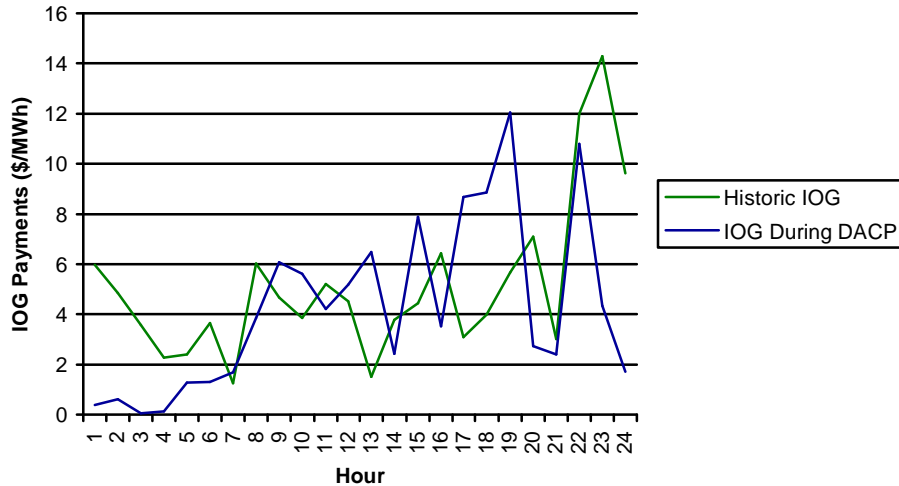
The graph above shows the average hourly import volume for June 1-22, 2006. The total volume of imports is lower in 2006, relative to 2005, not unexpected due to the fact that overall average hourly demand for June 2006 is approximately 1000 MW lower than it was in June 2005. (See table below)

Year	Average Hourly Demand
2005	18,208
2006	17,298

Day-Ahead imports accounted for only 2.8% of the total import volume for June 1-22, 2006, the majority being scheduled in real time only and not day ahead.

Intertie Offer Guarantees

Average Hourly Intertie Offer Guarantee Payments



The graph above shows the average hourly cost of IOG payments to imports for similar periods in June 2005 and June 2006¹.

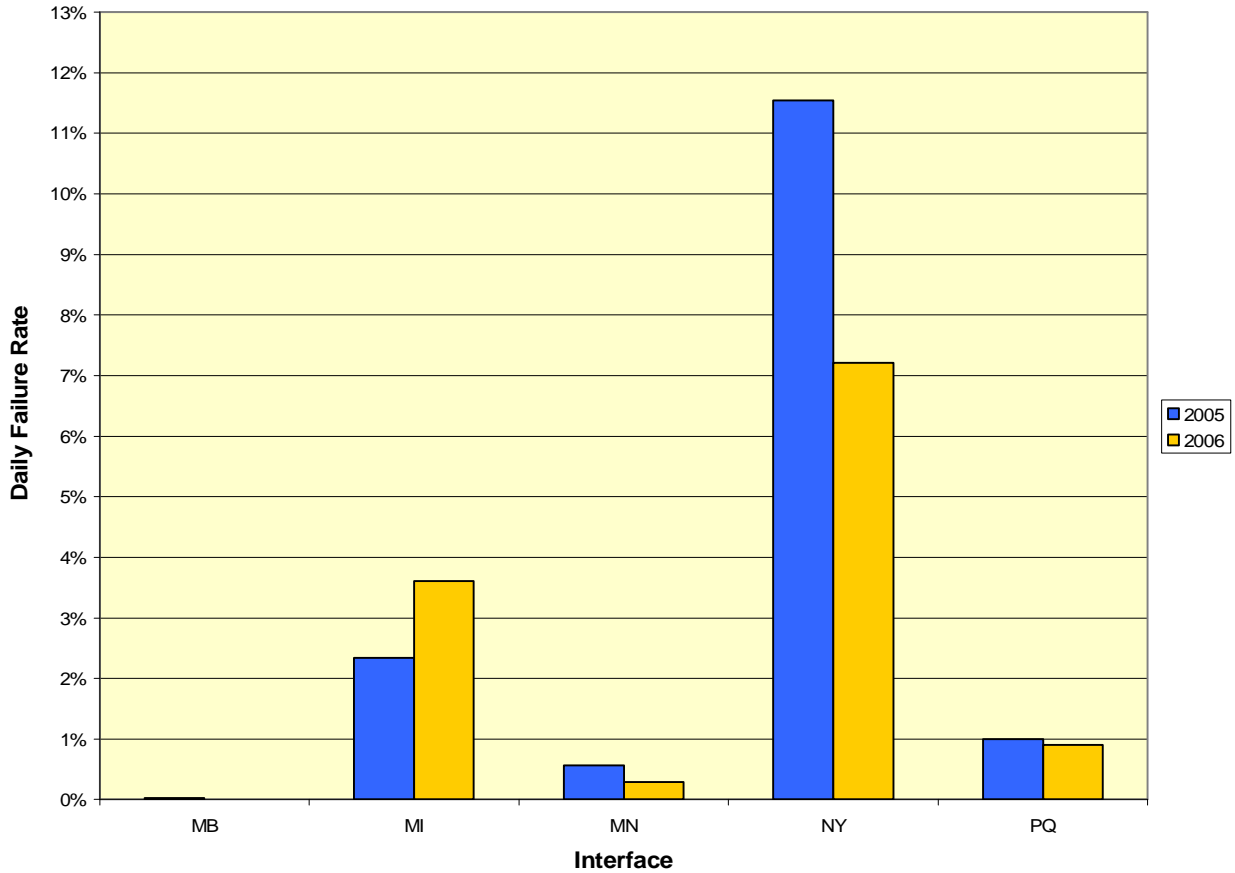
Estimated day-ahead IOG payments cost \$18.60 per MWh of imports scheduled for June 1-22, 2006. This is compared to \$3.99 per MWh of real-time transactions scheduled in the same period of 2006. The average IOG cost of scheduled imports, both day-ahead and real-time, is \$4.40. This compares favourably with the average June 2005 IOG cost of \$5.14.

¹ Note that these numbers for June 2006 do not take into account Urgent Market Rule Amendment MR-00322 which was implemented in early June to ensure that the guarantees and protections afforded by the day-ahead IOG for an import transaction receiving a DACP schedule is only for the MW quantity specified in the DACP schedule for that transaction. The impact of this rule amendment on the overall trends of day-ahead contributions to IOG payments, however, is not significant.

Transaction Failure Rates

Daily Import Failure Rate by Interface, June 2005 vs. June 2006

June Import Failure Rates - 2005 vrs. 2006



Total Failure Rate 2005: 2.74%
Total Imports(MW): 1097710
Total Failures(MW): 30063

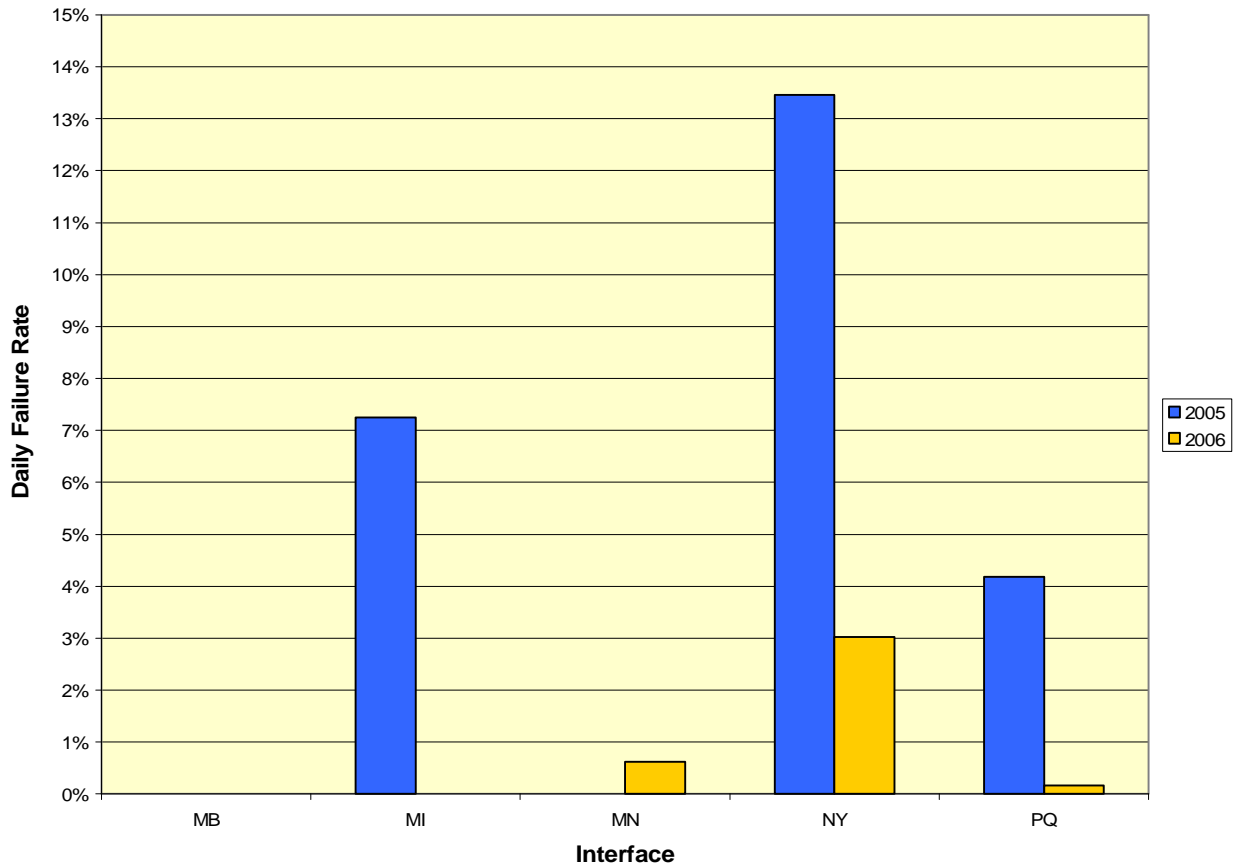
Total Failure Rate 2006: 3.03%
Total Imports(MW): 419921
Total Failures(MW): 12729

There have been no day-ahead import failures for June 2006 thus far. Therefore the “total failure rate” figure consists of only real time failures.

Attachment

Daily Export Failure Rate by Interface, June 2005 vs. June 2006

June Export Failure Rates - 2005 vrs. 2006



Total Failure Rate 2005: 12.24%
Total Exports(MW): 806148
Total Failures(MW): 98647

Total Failure Rate 2006: 2.58%
Total Exports(MW): 594712
Total Failures(MW): 15335

Based on the data collected so far, there has been a substantial decrease in the number of export failures relative to June of last year.

Attachment

Generation Cost Guarantees

From June 1-22, there were 125 day-ahead generation cost guarantee (DA-GCG) starts, representing four market participants. In April, there were 54 starts under Spare Generation On-Line (SGOL), representing four market participants. The same market participants who were active in April SGOL starts were active in June DA-GCG starts. Information regarding payments for the DA-GCG will not be available until after the preliminary settlements are produced in July.