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## IESO SENIOR MANAGEMENT UPDATE

To: Stakeholder Advisory Committee

Date: October 28, 2009

Subject: **MSP Recommendation**

Information Item

### **Draft MSP Responses**

In this report only 2 recommendations were directed to the IESO. Attached are the draft responses for these two recommendations.

#### **Recommendation 3-3 (Chapter 3, section 3.2)**

*Given the frequency and impact on the market of incorrect Daily Energy Limit (DEL) submissions for hydroelectric generators, the Panel recommends that the IESO should discontinue the use of the DEL feature in the pre-dispatch schedules (including the Day-Ahead Commitment Process pre-dispatches) until an Enhanced Day-Ahead Commitment process is introduced which is specifically designed to optimize resources over 24 hours using accurate estimates of energy limits for hydroelectric resources. Alternatively, if the IESO considers that the DEL is currently useful for reliability reasons, the IESO should require submission of DELs from all hydroelectric generators, and strengthen the compliance provisions in the Market Rules to incent participants to submit more accurate forecasts of DEL.*

#### Response

*The IESO agrees that there are inefficiencies with the submission of inaccurate Daily Energy Limits. The DEL functionality is however a voluntary system that was developed to provide market participants with a process to assist in the management of energy limited resources. So long as this system is used properly, it can be a useful tool for market participants without any negative impact on the IESO-administered markets. The IESO has reviewed its compliance authority on the use of this tool and has determined that there are sufficient mechanisms to ensure accurate DEL data is provided and will be working with market participants to ensure their understanding of DEL obligations. The IESO has considered the recommendation and has concluded that it would be unnecessary at this time to discontinue the use of the DEL feature.*

*This recommendation is considered closed.*

### **Recommendation 3-2 (Chapter 3, section 3.1)**

*The IESO should improve the mechanisms for aligning submitted costs and associated revenue streams at combined cycle stations for its Spare Generation On-line and Day-Ahead Commitment Process generation cost guarantee programs, in the context of the other changes taking place to these programs. The preferred mechanism is to determine guarantee payments on an aggregate basis for all units at a station. Alternatively, the IESO should eliminate allocations that result in over-compensation (for example, by requiring allocation of submitted costs among units in proportion to the revenue they generate during the period associated with those costs).*

#### Response

*The IESO agrees with the principles of this recommendation however during the GCG stakeholder engagement processes it was determined that the enhancement of settling guarantee payments on an aggregate basis would not be introduced. A significant number of changes were introduced as a result of these discussions including interim changes to the SGOL/DA-GCG program, the implementation of EDAC (multi-part bids and 24hr optimization) and the Pseudo Unit settlement. Although these changes are not inclusive of the recommendation, many strides were made to improve the efficiencies of the guarantee programs. The IESO will continue to monitor this aspect of the guarantee framework and will consider changes at a future date.*