

Minutes of Meeting EDAC - Settlements Design Working Group

Date held: June 4, 2009	Time held: 8:00 pm to 13:30 pm	Location: Hilton Garden Inn - Oakville
Invited/Attended	Company Name	Attendance Status (A)ttended; (R)egrets; (S)ubstitute
McLeod, Ron	Abitibi Bowater	A
Hopping, Uschi	Aquilon Power Corporation	A
Jain, Anshul	Aquilon Power Corporation	R
Cormier, Pascal	Brookfield Power	R
Selesse, Stephanie	Brookfield Power	A
Maguire, Mylene	Brookfield Power	R
Forsyth, Dave	Gerdau AmeriSteel Corporation	R
Lin, Jane	Greater Toronto Airports Authority	R
Iwami, Yoshitoshi	Greenfield Energy Centre	A
Turner, Drew	Greenfield Energy Centre	R
Richard Penn	Greenfield Energy Centre	A
John Windsor	Greenfield Energy Centre	A
Abdelnour, Francois	Ivaco Rolling Mills	R
Romanish, Orest	Northland Power Incorporated	R
Ather, Naveed	Ontario Power Generation	A
Peterson, David	Ontario Power Generation	A
Rilling, Mike (IT)	Ontario Power Generation	A
Walker, Phil	Ontario Power Generation	A
Kerr, Paul	Shell Energy	R (via phone)
Shane Harwood	Sithe Global	R
Kraayenbrink, Ron	St. Clair Energy	R
Heaton, Randy	TransCanada Energy	A
Kuntz, Margaret	TransCanada Energy	A
Palmberg, Kirsten	TransCanada Energy	A
Berry, Scott	IESO	A
Boudreau, John	IESO	A
Briggs, Jeannette	IESO	A
Navneet Singh	IESO	A
Miller, Al	IESO	A
NG, Hok	IESO	A

Springgay, Guy	IESO	A
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The meeting minutes when finalized will be posted on the IESO web site at:

http://www.ieso.ca/imoweb/consult/consult_se73.asp

Summary of Meeting Discussion

Item 1 Welcome and Agenda

Al Miller welcomed the members to the EDAC Settlements Design Working Group meeting and invited the attendees to introduce themselves. This was followed by a review of the draft meeting agenda. No changes were made to the agenda.

The draft minutes of the May 13th Settlements Design Working Group meeting were posted as draft on May 25. Two sets of comment were received stating that the closing of action item 7 on DA-PCG eligibility was not appropriate as the evidence presented was not conclusive and did not properly address the action item. The minutes will be revised to reflect the need to bring the issue forward to the June 4th meeting based on feedback received through the comment process and marked as final.

Item 2 Review of Action Items

Real-time Price Depression

While not an open action item per se the previous action on real-time pricing issue was reviewed to give Meeting Participant a status update of activities since the last meeting where it was determined to be a real-time issue. Al Miller opened the discussion by indicating that written confirmation that the Director of Market Evolution recognizes:

- the importance of real-time price depression as a result of offer behaviours,
- it is not an EDAC issue to resolve and
- the need to keep EDAC focused and on track

As a result, he has directed IESO Market Evolution staff to develop a forum and a time table for moving forward.

One Participant reiterated that while he heard the stated commitment, he was concerned over the IESO's track record on initiatives and the IESO's failure to carry through. Another noted that he understood the importance of keeping EDAC on track and is willing to let the IESO develop

their plans and progress accordingly but will not let the pricing issue die. If progress isn't sufficient he stated he will bring the issue back to a higher level of management.

Jeannette Briggs led a discussion on recent pricing events to assist in understanding the breadth of the problem as well as assist in the development of a proper problem definition. The IESO made a commitment to develop a plan including time lines and scope within a month.

One participant noted causality of the pricing issues needs to be looked at as a whole. The pricing problems are complex and the result of erosion by numerous issues and the IESO should not look at discrete or artificial solutions.

The IESO recognizes the need to be cognizant of all the issues and their impact, but it may be a matter of prioritizing them to work towards a solution.

Any additional feedback on the material presented to assist in the development of the problem definition would be appreciated.

DA-PCG Eligibility

The draft May 13 meeting minutes had an action item extended from the April 21 meeting regarding DA-PCG eligibility requirements to be at MLP by the sixth interval of the first EDAC scheduled dispatch hour. Specific to this was participant concerns regarding units scheduling their starts earlier than the EDAC scheduled dispatch hour in order to meet the DA-PCG eligibility with the potential of causing additional Surplus Baseload Generation (SBG). While our research indicated that the eligibility requirements proposed was not expected to exacerbate the concern, the respondents cited through conversations that:

- a growing problems for this type of event has been identified in adjacent jurisdictions
- the potential need to hedge the potential losses through increases in incremental prices offered, and
- for units that do not achieve the eligibility, the economic losses are such that units may decide to forgo the start altogether when there may still be benefits to the market to continue the start albeit slower than originally anticipated

Based on this input, the IESO reconsidered its position and subsequently revised the eligibility requirement and the rules around the settlement of the DA-PCG. An eligible resource must meet the following requirement to be paid the DA-PCG:

The unit breaker must be closed at the start of the EDAC constrained schedule hour. This is consistent with today's guarantee treatment. Additionally, the IESO will calculate the offered start up costs as follows:

- The unit would have to be at MLP within 6 intervals to retain 100 % of the offered start up costs, and
- If the unit does not achieve MLP within the 6 intervals the offered start up costs would be reduced by one twelfth for every 5 minutes interval until MLP is achieved or the start-up cost is reduced to zero.

The detailed formulation was outlined in a paper titled Eligibility Requirements and Settlement of DA-PCG which was provided as part of the meeting material.

One participant noted that EDAC is about total commitment costs across the day and without a structure that provides for the vagaries of complex starts, units that are late will not come and while the market may lose for short periods in the early hours of the schedule but the impact of the overall schedule may be greater. Eligibility requirements may negatively impact reliability as units may choose to not come at all if they are going to be late when there is a risk of losing start-up costs, the largest part of the guarantee.

Another noted that the more costly the start, the earlier the units will arrive exacerbating the issues of SBG. One just has to look at the events in NY and MISO to get a sense of where this is potentially leading.

Another participant requested what the change suggested will cost the market. The IESO noted that it is expected to have minimal, if any, impact to the market based on:

- The breaker closed rule will continue to be enforced on generating units to be there otherwise they lose their DA-PCG (same as today),
- How very few units that do not make MLP in six intervals or less (~3.3% of 2700 starts over a year), and
- Generator's noting that without the change there is a potential of a risk premium being added to offers (The more costly the start the more risk of substantial losses)

In closing the discussion, it was noted that the action on DA-PCG eligibility now will be considered closed based on the Paper proposal, as it is a compromise between incenting generators to meet their schedule, while recognizing the start up issues, the potential over commitment and not unduly influencing prices. While significant discussion on number of intervals to be used in the calculation was proposed, no real consensus on number of intervals was identified, nor any specifics on why the IESO proposal is not the correct number. However

it is noted that participant advice was to keep the number of intervals in the calculation a program parameter that can be changed if it is recognized that it drives incorrect behaviours to come early and that the EDAC Project Team needs to continue to follow developments in NY and MISO.

Item 3 Modifications to Import Failure Charges

Navneet Singh gave an overview of modifications to the Import Failure charges including examples on how it would be applied.

One participant requested clarification on whether the failure charge was a five minute calculation or an hourly calculation. The IESO noted that it is an hourly calculation.

No other questions or concerns were raised.

Item 4 New day-Ahead Export Failure Charges

Navneet Singh gave an overview of modifications to the Export Failure charges including examples on how it would be applied.

One participant noted that they believed the export failure charge is incorrect in the slide and should be a mirror of the Import failure charge.

Action: IESO to review the formulation of withdrawal charge in slides

Editorial Note: the Formula in the slide was reviewed, found to be incorrect and the presentation was reposted with notice to DWG Members on June 5.

Another participant noted that since the IESO does not provide transmission day-ahead this failure charge is likely to be too risky to attract Day ahead export Bids.

Another Participant noted that they had a query from some of their staff on TLRi Exemptions and the impact on failure charges, but did not have the specific details to the query.

Action: The Participant to provide IESO with the details of the query.

No other questions or concerns were raised.

Item 5 New Generator Withdrawal Charges

Navneet Singh gave an overview of generator withdrawal charge.

One participant noted that with the withdrawal charge, no generator will take a risk of incurring a charge for withdrawing.

Another asked if the PD-1 assessment was made based on a snap shot of the conditions when the request was made or a rolling PD-1. The IESO noted that it is a rolling PD-1. Further to this the participant noted that at the time of the decision, they may not be “in the money”, it was the right thing to do, yet subsequent changes to conditions could cause a withdrawal charge to be assessed. It was noted by the IESO that this is a possibility, but it should be noted that commitments were made day-ahead projections and changes are always expected.

One participant requested that the IESO review the application to see if there can be some flexibility applied to this charge if there oversupply conditions, and therefore keeping PCG in hours where they were a benefit to the market.

Action: IESO to review failure charge where it pertains to incenting units to remain in service during over supply situations, and keep the DA-PCG where the generator supplied energy.

Editors Note: The IESO is looking at ways to accommodate this request however is finding it difficult to find a discrete trigger to identify the event.

One participant noted that the charge does not appear to take into account the periods where they were a benefit to the market and the net affect over time could have been that they were a benefit to the market.

Action: IESO to review potential of applying the netting affect to the calculation of a Withdrawal Charge.

*Editorial Note: The IESO reviewed the request to assess the “withdraw” over the EDAC scheduled hours of the start and agreed it should be a multi hour assessment. Therefore, the withdraw charge will only apply when the impact of the withdraw over the total hourly start results in a net positive value i.e. a cost to the market for your withdraw. The formula will be: $\max(0, \sum_1^n (RTP - DAO) * MLP)$*

It was noted by the IESO that the assessment of the withdrawal charge is made after the fact and that we are not anticipating that shift staff will make the determination in real-time.

Item 6 New Linked Wheel Failure Charge

Hok Ng gave a refresher on how Linked Wheels will be scheduled in EDAC as well as how the failure charges will be applied.

One participant noted that they were concerned over moving forward with Linked wheels when the real-time discussions have not come to completion. The IESO noted that the solution proposed in EDAC provides an optimally better solution and also mitigates the issue of only having one leg of the wheel scheduled in EDAC. Also, importantly, the EDAC solution is directionally consistent with the real-time conversations on linked wheel transactions. The EDAC Project Team has followed the discussions in the real-time venues and does not believe the implementation in EDAC is detrimental to those discussions.

Another participant wanted to know what the reference bus was for the scheduling process. The IESO noted that the scheduling uses the Richview Bus as consistent with real-time scheduling.

Another participant noted that without transmission reservation day-ahead, they cannot understand why anyone would participate in Linked Wheels Day-ahead.

As well, a participant pondered why the calculation engine didn't consider transmission rights into the optimization. While many other jurisdictions have financial transmission rights markets. All are separate markets from the energy markets and are not jointly optimized with scheduling of interties. An important reason for the separate markets is to provide flexibility for the market participants to choose whether they wish to hedge on transmission congestion independently.

Finally, there was a question of whether the value of congestion between the sink and source intertie points is represented by the difference between the absolute value of the respective shadow prices.

Action: The IESO to review the values used in the determination of congestion.

***Editors Note:** The value of this congestion was correctly noted in the presentation. That is, the difference between the actual value of the respective shadow prices.*

Item 8 Wrap up

The session was wrapped up with a review of the actions and a review of the proposed agenda items for the next meeting which is scheduled for June 24, 2009. The location is to be determined, and based on participants feedback the session on the material to be covered will most likely be a webcast (with allowances for those that wish to attend in person).

At the conclusion of the review, participants were asked whether there were any outstanding issues that were not covered to date or proposed for June 24. No outstanding issues were brought forth by any participants.

During this discussion it was noted that there may be errors in the stakeholdering calendar.

Action: the IESO to revise the calendar and send out notice of changes to Design Working group members.

Editorial Note: Completed and summary update of activities sent to all DWG members on Friday June 12.

Action Item Summary				
#	Date	Action	Status	Comments
1	April 21, 2009	IESO to review the treatment of changing offers from a positive day-ahead to a negative in real-time on the PCG calculation.	Closed at May 13 Settlements DWG Meeting	Guarantee calculation is capped at zero
2	April 21, 2009	IESO to post the detailed net OR revenue calculation for Component 4.	Closed	Material posted May 7
3	April 21, 2009	Participants to identify the rationale for ordering from 30 Minute Non Spin to 10 Minute Spin.	Closed at May 13 Settlements DWG Meeting	Ordering of claw back revised to consider 30 minute Reserve to 10 minute Non-Spin to 10 minute Spin.

Action Item Summary				
#	Date	Action	Status	Comments
4	April 21, 2009	IESO to publish the detailed Offer example shown that was a subsidiary to the presentation.	Closed	Material posted May 7
5	April 21, 2009	IESO to publish the treatment of start up costs that occur in Hour ending 1.	Closed	Material posted May 7
6	April 21, 2009	IESO to publish how the SNL and incremental energy will be excluded from the DA-PCG settlement calculation when EDAC schedule relates to the remaining MGBRT of a start at the end of the previous day.	Closed	Treatment described to participant and posted in a discussion paper published May 7
7	April 21, 2009	IESO to consider alternative methods of establishing the compliance to be at MLP. May 13 – Remained open following this meeting for further review of prorating and to summarize treatment of guarantee eligibility. May 27 - Editorial notes summarize the review and separate document summarizing treatments across other guarantee programs. June 4 - Further discussions and revisions were put forward in a paper posted with the June 4 Meeting materials.	Closed	Paper posted describes eligibility changes accepted as noted in the June 4 Meeting Minutes
8	April 21, 2009	IESO to develop a specific Question for the real-time pricing issue.	Closed	Determined to be a real-time issue
9	June 4, 2009	IESO to review the formulation of withdrawal charge in slides.	Closed	Closed as per editorial note included in the

Enhanced Day-Ahead Commitment Detailed Design (SE-73)

Action Item Summary				
#	Date	Action	Status	Comments
				Meeting Minutes
10	June 4, 2009	A Participant to provide IESO with the details of the query (re TLRi exemptions).	Open	
11	June 4, 2009	IESO to review failure charge where it pertains to incenting units to remain in service during over supply situations, and keep the PCG where the generator supplied energy.	Open	To be reviewed at the June 24 Meeting
12	June 4, 2009	IESO to review potential of applying the netting affect to the calculation of a Withdrawal Charge.	Closed	Closed as per editorial note included in the Meeting Minutes
13	June 4, 2009	The IESO to review values used in the determination of congestion.	Closed	Closed as per editorial note included in the Meeting Minutes
14	June 4, 2009	The IESO to revise the calendar and send out notice of changes to Design Working group members.	Closed	Closed as per editorial note included in the Meeting Minutes