

**From:** Marc Mantha  
**Sent:** February 17, 2009 2:45 PM  
**To:** Berry, Scott  
**Subject:** Dispatch priority and Embedded generation

Further to our discussion last week, the recent IESO Bulletin contained a reference to the impacts of embedded generation.

Presently, IESO does not control or have any direction on a customer's embedded generation for any generation consumed "behind the fence". The IESO can only direct on energy delivered to the Grid.

The draft discussion paper raises the possibility of the IESO directing a customer's embedded generation in order to avoid (or at the least, minimize) cases of SBG. This could have some significant unintended consequences.

For an industrial customer, embedded generation serves several roles: provision of lower cost (self-generated) energy for the customer, reduction of transmission related costs (peak shaving, peak avoidance) and load security.

If an industrial customer is operating his embedded generation such that his draw from the grid is minimized, his transmission related charges (Network and Line Connection Demand charges) are also minimized. Direction from IESO to reduce his embedded generation levels to accommodate a SBG situation would, under the present application of the transmission charges, result in increased costs to the Customer. How does the IESO propose to keep the Customer whole in this case? For a Customer with 100MW of embedded low cost generation being directed down, a swing of 100MW on his demand charge would represent an incremental cost to the Customer approaching \$100K from which the Grid is the sole beneficiary. Waiving the incremental demand charges would be a good start.

A Customer may move to voluntarily increase his demand from the Grid when SBG is forecast and negative pricing shows up in the pre-dispatch reports, however (1) the reliability of the pre-dispatch price signals still has a long way to go to be able to "take them to the bank" and (2) non-dispatchable loads have a much greater degree of flexibility to respond in these cases than dispatchable loads do (2 hours ahead for any bid changes and constrained by the Day Ahead Adequacy envelope submitted the day before).

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