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# Update

## Centralized Forecasting for Variable Generation

August 11, 2009

# Agenda

- Decision on centralized forecasting for variable generation
- Input sought:  generator-funded model for centralized variable forecasting

# Decision: IESO Proceeding with Centralized Variable Forecasting

- IESO will proceed with centralized forecasting
- Service will be procured from a third party service provider
- Next Step: determine data requirements of variable generators (i.e. wind speed, wind direction, barometric pressure, output, outages)

# Rationale for Generator-Funded Model

Rationale for generator-funded model:

- Move from decentralized forecasting to centralized forecasting should not create incremental costs to variable generators.
- In developing the feed-in-tariff price schedule, OPA did not deem it necessary to include an incremental payment to compensate generators for the cost of centralized forecasting as these costs were deemed insignificant.

# Rationale for Generator-Funded Model

No incremental costs. New costs associated with centralized forecasting should be offset by following savings:

- Variable generators will no longer incur costs related to submitting and continuously updating forecasts.
- Variable generators will not need to incur costs they otherwise would have incurred in order to fully comply with existing requirements.
- Variable generators will not need to incur costs to meet more stringent day-ahead requirements.

# Rationale for Generator-Funded Model

In developing the feed-in-tariff price schedule, OPA did not deem it necessary to include an incremental payment to compensate generators for the cost of centralized forecasting as these costs were deemed insignificant.

- The IESO estimates the cost to wind generators will represent approximately 1/1000 of revenue.
- For example, a 100 MW wind farm operating at 30% capacity would generate revenue of $35.5 million and incur costs of $35.5 thousand during the first year of the FiT contract.

# Possible Generator-Funded Models

For illustrative purposes, the following assumes installed wind capacity of 1,085 MW operating at 30% capacity (actual performance in 2008):

**Production-based model:** costs recovered from generators on a per MWh basis - i.e. 13.5 cents per MWh generated

**Capacity-based model:** costs recovered from generators based on MW's of installed capacity - i.e. $29.50 per month per MW of installed capacity ($355 per year)

**Hybrid-model**: each wind farm charged a monthly flat rate, regardless of size, in combination with a production-based or capacity-based model

# Questions & Comments