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INTERTIE TRANSACTION FAILURES

HARRY CHANDLER
Director, Market Assessment & Compliance
Independent Electricity Market Operator

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What is an Intertie Transaction failure?

An intertie transaction failure occurs when scheduled energy fails to flow from one Control Area to another Control Area.

For example, energy was to flow from the New York Control Area to the Ontario Control Area but did not.

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Why are failed Intertie Transactions a problem?

- Volume (May - August):
  - Average hourly failure
    - Imports: 61 - 171 MW
    - Exports: 120 - 265 MW
  - Maximum hourly Failure
    - Imports: 1,121 MW
    - Exports: 900 MW

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Why are failed Intertie Transactions a problem?

- Reliability Impacts
  - Import failures during tight supply can lead to operating reserve or energy shortfalls
- Market outcomes
  - Upward pressure on the real time price
  - Cause inefficient use of resources

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What is the relevant standard?

- MR Chapter 7/Section 7.5.8A….other than for bona fide and legitimate reasons, market participants are required to schedule energy across an intertie after being accepted in the interchange schedule.

Market Manual 2.15

- Sets out assessment/feedback loop:
  - notice of intention to investigate
  - notice of alleged breach
  - notice of non-compliance
    - imposition of sanction may include financial penalty and a ‘multiplier’
    - if multiplier may appeal to IMO panel of officers
  - access to dispute resolution or appeal to OEB

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What is the penalty?

- Penalty Formula: P = (D X T X R) X A
- 300MWs offered at $250 when HOEP was $37.82

  P = (MW failure X One Hour X (Offer-HOEP) X A

  P = (300 X 1 X ($250-$37.82) X A

  P = ($63,654) X A (IMO determined multiplier)

  P = $63,654

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What are non bona fide reasons for failure?

Areas of Enforcement Focus

- NERC transaction tag discrepancy
- Rejection on economic grounds in the other control area's market - typically NYISO

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NERC transaction tag discrepancy

- IMO Market Rules/NERC policy require market participants/purchase selling entity to:
  - submit & revise NERC transaction tags

- Reminder to market participants:
  - September 6 notice and September 25 training session

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Rejection on economic grounds

- Two-stage test applied to each failed transaction
  - Price Volatility Test
  - Participant Intention Test
- Tests serve as guidelines and identify "safe harbours" where market participant conduct will not be subject to further review

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Step 1: Volatility Test

- If market clearing prices in other control area were volatile in the previous 24 hours, review ends

- If prices deemed stable, review proceeds to 2^{nd} step, unless additional information suggests otherwise

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Step 2: Intention Test

- Compare bid/offer price with market clearing price in the other control area
- Safe harbor is range within the greater of $5 or 10% of the market clearing price

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Example

- NY HAM price is $28.00, MP bid/offer is $60.00
- Step 1
  - HAM price range $24.45 to $39.11
  - Deemed stable, proceed to Step 2
- Step 2
  - The safe harbour$23.00 - $33.00
  - $60 bid/offer presumed non bona fide

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