

Minutes of Meeting

Feb 9, 2006, 8:30-4:00

Skymark

Attendees

Bell, Brian	Ontario Power Generation	Wells, David	Manitoba Hydro
Bellavance, Eric	Hydro Quebec	Wieszczyk, Ray	DTE Energy Trading
Bettle, Peter	Brookfield Energy Marketing Inc.		
Chacnon, Guy	Hydro Quebec	Freire, Joseph	IESO
Chung, Lam	Manitoba Hydro	Iqbal, Haris	IESO
Connell, Shaun	TransAlta	Mann, Karla	IESO
Ecelbarger, Carl	HQ Energy Services	Miller, Al	IESO
Harwood, Shane	Coral Energy	Phillips, Carm	IESO
Kerr, Paul	Coral Energy	Rivard, Brian	IESO
LeBlanc, Alain	Brookfield Energy Marketing Inc.	Robitaille, Dave	IESO
Lung, Gene	Direct Energy	Stokes, Mike	IESO
McCuaig, Paul	Powerex	Travers, Scott	IESO
Thomson, Bruce	Ontario Power Generation	Wilbur, Bill	IESO

Registered for Teleconference

Powerex	Hiley, Michelle
EPCOR Merchant and Capital LP	Krzywicki, Rafal
EPCOR Merchant and Capital LP	Dyson, Jay
EPCOR Merchant and Capital LP	Hagerty, Gary (tentative)
NorthPoint Energy Solutions Incorporated	Mehl, Jason

Agenda Item #4: Bias Adjustment Methodology for the Real time Intertie Failure Charge (DACP Issue item #6) (Carm Phillips)

The new charge is like any settlement charge. No compliance involvement, no posting of details to the public website. Compliance will still be involved in determining bona fide and non bona fide reasons.

A question was asked about when you will know about the charge. There will be dispatch reports available and preliminary statements issued 10 business days after the trade day. More details are being discussed in the settlement working group.

A question was asked about supply tight days and the changes to the existing compliance guidelines that were proposed a few months ago. This change will only be implemented after further stakeholdering and may not ever be implemented if the new failure settlement charge is implemented on time.

Subsequent stakeholdering is still to come on what is egregious behaviour and bias adjustment factor calculations. We will publish the bias adjustment factors in advance.

A question was asked about what prices will be used for the calculation of the failure charge. Prices used for all settlement calculations are based on the final price, so if there is an administrated price, that price will be used for the calculation.

Some discussion of how the bias factor will be calculated and the use of median values. The point was raised that this group had previously suggested that we did not need a failure charge for exports.

Action: IESO commits that the methodology for determining the bias will be further stakeholdered and details available at least one month prior to implementation.

Agenda Item #2: Clarification of Bona Fide and Legitimate Reasons for Failure as applied to day ahead imports and real time imports and exports (DACP Issue item #3) (Carm Phillips / Bill Wilbur)

Rules related to bona fide and legitimate are essentially unchanged. Compliance has the mandate to exclude things outside participant control, but have the flexibility to include things partially in participant control such as economic failures.

A suggestion was made that we should consider trying to accommodate situations where there are multiple events such as an Ontario constraint and an external TLR both affecting a transaction. The existing process and use of reason codes only handles situations where the schedule change is due to a single cause.

After some discussion, it was clarified that a partial failure for economics will continue to be considered non bona fide. Several participants expressed that this is not appropriate.

Action: Future meeting topic to discuss partial economic failures as bona fide or not.

Clarification that security failures of transactions for ramping limits in NYISO and IESO would be considered bona fide.

There were questions about how day ahead scheduled transactions will be dealt with in the situation where the intertie limits are reduced before the hour ahead pre dispatch schedule is produced. There is still more detailed work required to deal with contingencies like this.

A question was asked about how the IESO will establish day ahead intertie limits. They will be based on best available information with no buffer or margin built into the day ahead limit.

Action: Future meeting topic to discuss confusion in situations where economic transactions are not picked up and IESO responsibilities.

Note: The IESO pointed out that if an economic transaction is not picked up in either the constrained or the unconstrained (and the transaction code is "auto") then it is almost certainly the Net Intertie Schedule Limit (NISL) causing this. See [Quick Take #2](#) for an explanation. Unfortunately there is no flag in the system to tell participants or operators when the NISL is binding. This is a known problem and has been identified in the past however it is not an easy fix.

There was a concern raised that considering all ramp or transmission failed transactions as bona fide could create gaming opportunities for the FTR market. There were also comments that the bona fide reasons for ramp/transmission limited failures on MISO may need to be different for each interface.

Action: Details will be developed and final resolution brought back to the intertie traders before implementation.

A concern was raised by several participants that the new rules/processes will push marginal transactions away and that this may lead to negative consequences for the market.

Agenda Item #1: Criteria for determining financially binding obligations for Day Ahead Import Transactions (DACP Issue item #2) (Bill Wilbur)

The IESO presented the underlying principle by which financially binding status is established for imports scheduled by the Day-Ahead Commitment Process. In principle financially binding status means that:

- The trader has delivery obligations associated with the specific import transaction scheduled in the day-ahead, and
- The trader faces financial consequences due to some form of market obligation that has been placed on the export in the adjacent jurisdiction

The IESO proposed that an export that is scheduled in a neighbouring market's day ahead market which corresponds to the day ahead import in the IESO DACP would be the only acceptable criteria for determining that a DACP import has financially binding status.

Some participants stated that the financial obligations of the DACP themselves should be sufficient evidence of financially binding status and there should be no IOG offset for any DACP scheduled import. The IESO pointed out that the import schedule resulting from the DACP does not represent a financial position since DACP is not a day-ahead market. Financially binding status would accrue to the DACP import only if the corresponding export in the adjacent jurisdiction can be demonstrated to be the result of a market obligation existing in the day-ahead and the export can be demonstrated to be associated with the DACP import.

The proposal to use MISO DAM and NYISO DAM schedules as a basis for establishing financially binding status for imports scheduled by DACP was agreed.

Action: The IESO was asked to consider whether DAM transactions originating in other jurisdictions and wheeled through Manitoba or Quebec into Ontario could be considered for establishing financially binding status.

IESO Response: This proposal will not be accepted by the IESO at this time. It is expected to be too difficult for the IESO to determine day ahead positions in non-adjacent markets that correspond to imports in the DACP.

Action: Because of the unavailability of transmission reservations for the interties with Ontario in the day-ahead in MISO, some participants take virtual positions in the MISO DAM. The IESO was asked to consider if virtual positions in the MISO DAM could be considered for establishing financially binding status.

IESO Response: In principle, the IESO agrees that virtual positions in any neighbouring DAM should be acceptable for establishing financially binding status. However, it may be difficult for the IESO to determine the status of virtual positions in a neighbouring DAM. The IESO is discussing the details of checkout with MISO and NYISO and whether or not we can determine the status of virtual transactions through that process. Further information will be provided to you when available.

The IESO acknowledged that some bilateral contracts can represent financially binding obligations that exist in the day-ahead timeframe, and that transactions scheduled in the day-ahead as the result of these contracts might be used to establish financially binding status for imports scheduled by the DACP. However the use of bilateral contracts as a criteria for determining that that a DACP import has financially binding status was not proposed by the IESO because of the potential complexities for review of contract terms and possible audit requirements. There was some discussion about the binding consequences of contracts and if they could be used to satisfy the requirement for determining financially binding status in markets which do not have a day ahead market. The IESO is willing to consider proposals for the use of bilateral contracts that the participants may consider workable and defensible in terms of the underlying principle for establishing financially binding status.

There were no objections to the IESO proposal to **not** grant financially binding status based on the existence of a firm transmission reservation.

A question was asked and it was explained that if there is a day ahead import and a real time export, and the export is cut in real time, the import will now be eligible for IOG even if there was no demonstration of a financially binding obligation. This represents no change from existing processes.

The IESO invites proposals from participants on additional methods to determine financially binding status for day ahead imports, other than a corresponding export schedule in the neighbouring market's DAM. **Proposals should be submitted by February 17.**

**Agenda Item #3: Import transaction checkout constraints and the Day Ahead
Import Failure Charge (DACP Issue item #4) (Mike Stokes)**

The presentation outlined several possible day ahead transaction checkout possibilities.

Participants were asked their preference for NYISO's handling of Check Out Scenario 1 from the slides. This is where the NYISO DAM export schedule is greater than the corresponding IESO DACP import schedule. NYISO is willing to either reduce the

export schedule to match the IESO's DACP import quantity, or to do nothing – which ever is preferred by Ontario.

The IESO proposed that New York would take no action and not constrain their export to the lower value. This proposal was accepted by the participants at the meeting.

There is only one of these scenarios that causes a potential problem for the trader and that is Check Out Scenario 5 from the slides. This is the situation where the NYISO DAM export transaction which corresponds to an import in the IESO DACP, is scheduled in NYISO for less than the IESO DACP schedule quantity. When this occurs, since the NYISO will limit their export to the lower quantity under the same NERC tag used in the day-ahead, the best that the importer can achieve will still result in a DA import failure charge for the amount of the difference between NYISO and IESO schedules. This situation only exists with the NYISO and not with MISO. Also, since NYISO DAM results are almost always available before 11:00 am, participants are able to offer into the IESO DACP to avoid this situation. The IESO proposes to make no changes to the determination of the day-ahead import failure charge since the ability for the trader to modify their offers submitted into the DACP to avoid this mismatch is completely within their control including the withdrawal of offers if the NYISO DAM results are not available. This proposal was accepted by the participants at the meeting.

Some participants asked if it would be possible to extend the IESO bid window for the DACP in those situations where NYISO is late publishing its DAM schedules, or for the period of winter operation where the NYISO publishing deadline provides no opportunity for participants to see the schedule and adjust their IESO bids if the NY schedule comes out at the last possible moment.

The IESO feels that the probability of this occurring, and the fact that the DACP is not an enduring system precludes the need to take such measures. Also, while the NYISO DAM publishing deadline does not provide sufficient time in winter, NYISO does in fact publish their DAM results well in advance of the deadline most of the time.

**Agenda Item #5: IESO name change and its impact on NERC Tagging
(Tim Babcock)**

New Appendix G to Market Manual 4.2 is now available under [pending changes](#) on the web. Additional information is available on the [participant news page](#).

**Agenda Items #6 - New Item Real Time Transaction Failure Charge –
Adjustment Factor Analysis (Carm Phillips)**

An additional presentation was made on the analysis. Material will be posted after the meeting. As this was a last minute addition to the agenda there will be an additional opportunity for input in the future.

A request was made to show the average expected penalty for imports and exports with the different proposed methods of determining the bias adjustment factor. Also, some confidence intervals should be incorporated e.g. 95% confidence intervals.

Some participants suggested that the bias adjustment factor does not need to be the same for imports as for exports. There was discussion as to whether the bias factor should drive a similar probability of a penalty for a non bona fide import vs. export, or of the total dollar impact of penalties for imports and exports should be similar.

The IESO is asking if we should consider a different bias factor for on peak vs. off peak, however it would lead to a more complicated IT solution, with likely a delay in implementation.

Participants requested that data used for analysis should be more representative of the data likely to be used in actual bias adjustment factor calculation (e.g. last 12 months instead of all time since market opening).