

---

**Subject:** Sithe comments on MR-00356

---

**From:** rcary@niagara.com [mailto:rcary@niagara.com]

**Sent:** July 14, 2009 10:02 AM

**To:** Kamstra, Pat; 'rcary@niagara.com'; 'harwood@sithglobal.com'; 'byers@sithglobal.com'

**Cc:** Savage, Jessica; Briggs, Jeannette

**Subject:** Re: MR-00356 Amendment Proposal

Pat,

I am on vacation, so not able to use the proper format. I hope that this is still acceptable comment.

I have two concerns:

There is no mention of the IESO commitment that procedures permit the use of 3x1 STG min load. This is not a market rule change but should be recorded in the preamble. Endorsement is dependent on this commitment.

In R00 Background you refer to this as if it were the rule change required to complement EDAC. This was introduced as a necessary interim fix. We have never discussed EDAC interaction with the RT element; and the DA element will be superseded by EDAC. We still have to consider if EDAC will drive further changes to the RT element. I hope that we don't have to open it up again, but we still have to do the review.

Rob Cary

---

**Subject:** Sithe comments on MR-00356

---

**From:** Robert Cary [mailto:rcary@niagara.com]

**Sent:** August 9, 2009 12:40 PM

**To:** 'brian.bell@opg.com'; Savage, Jessica; Chandler, Harry; tracy.brason@brookfieldpower.com

**Cc:** Briggs, Jeannette; 'harwood@sitheglobal.com'; 'byers@sitheglobal.com'; Kamstra, Pat

**Subject:** RE: MR-00356: Interim Changes to the Real-time and Day-ahead Generator Cost Guarantees

Brian, Jessica, Harry, Tracy,

Please note and convey to the technical panel the following concerns of Sithe Global, and the request for consideration of consequential amendments to the proposed rule changes.

### **Day Ahead Guarantee Program and the need for subsequent manual constraints**

#### a) The problem

The DACP process is handicapped by the exclusion of exports. In the past, this has probably not had a clear impact due to the flexibility of the day ahead GCG program to provide cost recovery in excess of offer prices. Following implementation of the proposed rule change, this handicap cannot be ignored.

It is proposed that the DACP GCG program will continue to require economic scheduling of a unit for all hours of its MGBRT in order to achieve automatic qualification for the guarantee. This is now a much more onerous requirement in view of the exclusion of any MGBRT – Min Load Point cost recovery in excess of offer price. We can see circumstances in which a single hour's shortfall (or say two hours) in the "all MGBRT hours" requirement would preclude unit eligibility for the DACP GCG.

- ◆ We believe that this is likely to be uneconomic from a system perspective; the market demand is inherently biased down for DACP by the exclusion of exports, so this would likely lead to under-commitment of units. Such under-commitment in the day ahead timeframe is only likely to add costs to the system through the higher costs of operating in real time.
- ◆ We believe that this is prejudicial to combined cycle generators, particularly in the circumstance where one or more units qualifies for the DACP GCG on a given day and one or more does not.

The circumstance is therefore potentially damaging from both a participant and a system perspective.

#### b) How could this arise

The circumstance can arise in a number of ways:

- ◆ The inclusion of imports and the exclusion of exports may lower the price shoulders (at start and end of peak period pricing) so that a unit is scheduled for not quite all of its MGBRT, but is likely to become so scheduled by the later increase in the market demand.
- ◆ Other parties who could potentially benefit from under-commitment could structure (non-binding) offers in a way that would suppress price either in price shoulders or even in hours in the middle of the on-peak period.

#### c) Proposed solution

The DACP guarantee should be automatically available to a unit that is economic in the PDOR for at least no less than @% of MGBRT hrs, where @ can be set by the IESO, but would initially be set at:

75% for a stand-alone unit, or

50% for a unit that is part of a combined cycle facility that also meets the 75% requirement on a load-weighted average basis.

These parameters could be adjusted on reasonable notice by the IESO to respond to experience.

We note that the implementation of this could be by participant response following the PDOR. The participant can test the PDOR results and request commitment if the unit (and facility if relevant) meets the criteria, just as a participant may choose to withdraw a single unit of an otherwise uncommitted combined cycle facility from the guarantee. No additional automated processes would be required.

d) Benefits of the proposed solution

This would support day ahead commitments consistent with system needs and reduce the potential for additional “manual” constraints for reliability.

The existence of this provision would tend to dis-incent inappropriate market behaviour (as indicated above) by others

This would go some way to recognize the inter-related aspects of combined cycle operation in the day ahead process, pending their more comprehensive recognition in EDAC.

e) Costs

The ability of this to be implemented post PDOR seems to minimise costs.

### **IESO ability to constrain units on for reliability**

a) The problem

The IESO’s ability, eg under proposed section 6.3A.4 to constrain on a facility generally applies to a combined cycle facility at the unit level. Constraining on of an individual unit of a combined cycle facility is not practical. Nor do the rules as drafted provide adequate compensation if, in order to fulfill the IESO’s manually constrained dispatch a participant must place uneconomic offers for other units in the combined cycle facility.

The previous draft MR-00356 section 6.3A.4 included participant consent as a requirement. Pat Kamstra’s memo to the TP dated July 24<sup>th</sup> indicates that this has been removed from the updated proposal.

b) Proposed solution

In section 6.3A.4 and all other places where the IESO has the ability manually to constrain on a “facility” this be qualified by requiring the IESO to also constrain on any other “facilities” with which the economic operation of the constrained facility is linked. Alternatively this could be made more specific with respect to combined cycle facilities.

Pending such change, the “with participant consent” wording in 6.3A.4 is essential to retain as it avoids adding to the problem.

c) Benefits of the proposed solution

Recognition by the IESO of physical combined cycle realities in constraining on any such facilities will reduce problems in implementing manually imposed constraints and add to reliability.

This will also mitigate a potential economic inequity in respect of manual constraints applied to combined cycle facilities.

d) Costs

This does not seem to impose any costs. The details of any inconsistent manual constraining on would likely be identified by participant response at the time of any non-conforming event by the IESO.

I'd be pleased to provide any clarification required.

Rob Cary