

## **Draft Day-Ahead Working Group Notes 12/13 Oct 2005**

Attendees: Heaton (1 day), Bell (1 day), Cary (1.5 days), Snelson, Blechta, Kerr (regrets: Bettle); Wilbur, Kozlik (partial day), Boudreau, Doran, Presutti, Stokes, Arlitt, Leduc, Hartshorn, Morris (1 day), Springgay (partial day), Kula

Reference: Slide Deck (19 slides) – Day-Ahead Commitment Process with Reliability Guarantees: Data Submission; DAWG – October 12<sup>th</sup> and 13<sup>th</sup>

The Day Ahead Working Group (DAWG) is a small stakeholder group focusing on developing the design for the Day Ahead Reliability Commitment Process. The working group provides advice to the IESO on the design through a series of meetings. The first two day session focused on the data submission process and the following material points were made by one or more DAWG members during discussions:

Issues that require follow-up have been identified in these notes with a shaded background and will be tracked in the notes for future sessions.

### **Context:**

- A Day Ahead Commitment Process design document, revised in consideration of the input received through the DAWG sessions, will be posted at the conclusion of the focused stakeholder discussions.
- Notes from the DAWG sessions will be posted. Market Participants are encouraged to provide material comments to the IESO Day Ahead Reliability Commitment Process project team or separately to the Stakeholder Advisory Committee.
- Representatives for retail and commercial consumers need to be consulted during the stakeholder process. All Technical Panel members were invited to join the working group, however no one from these sectors accepted.
- The IESO is seeking the authority to constrain resources for reliability (e.g. to constrain-off energy-limited hydro-electric resources scheduled by pre-dispatch to run early in the day, and constrain them on later in the day when there are energy shortfalls across peak). The IESO will discuss this point with stakeholders at the Oct 19 2005 MOSC meeting, and will pursue attainment of the authority through the Market Rules process.
  - Stakeholder comments:
    - This Day Ahead Reliability Commitment Process as proposed represents a departure from the established market philosophy. To allow the IESO's commitment process to meet reliability goals, the IESO would have the power to direct operations with less reliance on market drivers.
    - Giving authority to the IESO to dispatch a participant's resource in a way that is contrary to the way the participant had intended it to be dispatched (as per their market offers for the resource), is inappropriate. The DAWG member is very strongly against this part of the proposal.

**Discussion of the Issues Raised at the October 6<sup>th</sup> General Stakeholder Session** (slides 3-8 from the reference deck):

- Four primary issues to address with a day-ahead commitment process:
  - Commit imports on critical days when Ontario is short of capacity and importers need the commitment mechanism to secure capacity in other jurisdictions;
  - Reduce the number of failed import transactions (that can occur on any day) by allowing imports to receive priority through scheduling in adjacent day ahead markets.
  - Adjust scheduling of energy-limited resources to ensure sufficient energy during peak hours;
  - Commit Ontario generators in cases when Ontario needs, but current processes don't accomplish, full commitment of these resources.
- Ontario needs to be able to 'schedule' imports day-ahead, allowing Ontario to convince neighbouring jurisdictions that these are day-ahead transactions (including execution of a day-ahead check-out), and provide incentives to encourage the importers to make the transaction flow in real-time
- The impact of the Day-Ahead Commitment Process on energy prices and uplifts needs to be determined.
- IESO staff from the Market Assessment Unit needs to speak with DAWG members regarding what is acceptable offer/bid behaviour in the Day Ahead Reliability Commitment Process.
- The design proposal includes a mandatory submission of dispatch data for all internal resources. Design alternatives were developed and discussed:
  - Self-scheduling generators, intermittent generators, transitional scheduling generators: mandatory submission of dispatch data day-ahead.
  - Dispatchable generators:
    1. Voluntary dispatch data submission for these generators; OR
    2. Voluntary dispatch data submission for these generators, but must submit dispatch data if they intend to run in real-time; OR
    3. Mandatory dispatch data submission for these generators.

The IESO has agreed to alter the original proposal and adopt option 2 above. Generators will submit dispatch data into the day-ahead commitment process if they intend to run in real-time (#2 above). As such, dispatchable generators that offer day-ahead will only be allowed to offer in real-time in the same hours for which they had submitted day-ahead offers. The exception to this rule would be for unforeseen changes to facility conditions (such as early return from outage) or where the IESO requires the facility to offer in real-time for reasons of reliability.
- Dispatchable load can indicate that they are non-dispatchable in real-time by bidding +MMCP. Similar to the construct for generators, it is proposed that a load that has declared itself to be non-dispatchable in this fashion cannot bid as a price-sensitive load in real-time in any hour that it had bid +MMCP day-ahead. Again, there is an exception to this where there have been unforeseen changes to facility conditions or where the IESO allows the facility to be dispatchable in real-time for reasons of reliability.
- Exports:
  - Considering Ontario demand and not market demand in the day-ahead commitment process distorts the results.

- Providing a mechanism to ‘schedule’ imports day-ahead without providing a mechanism to ‘schedule’ exports a day-ahead reduces customers for Ontario generators and further disadvantages exports relative to imports.
  - The IESO is not against including exports day-ahead. However, given that this is a day-ahead reliability process and not a day-ahead market, requires some notion of a day-ahead financially-binding result for exports and a set of penalties to drive real-time behaviour consistent with day-ahead results. Given these requirements, will exports participate day-ahead?
  - The working group needs to understand the linkage with and the impact of proposed changes being considered by the Intertie Transaction Failure Working Group.
  - DAWG members expressed a concern regarding the perception of other ISOs to the IESO not including exports in the proposed day-ahead reliability commitment process.
- General acceptance that changes to offers and bids not be allowed during the day-ahead commitment process.

**Data Submission Design Elements** (slides 9-19 from the reference deck):

- Generator technical data (slides 10 and 11):
  - IESO needs to be clear in the definition of minimum loading point and minimum run-time
  - Minimum down-time (turn-around time), maximum number of cycles and start-up time also needed. This type of data may not be appropriate for the facility registration process.
  - Facility registration process has long time-scales – often too slow to reflect changes and state of equipment. Data submission process needs to be flexible enough to reflect current/changing conditions.
  - Pat Doran, Manager of Market Facilitation, will look into a process/procedural change to allow submission of changes to minimums that reflect operational conditions that is faster than the facility registration process.
- Facility qualification for day-ahead generator cost guarantee (slide 12):
  - Facility qualification for DA-GCG will be the same as real-time spare generation on-line (RT-SGOL)
  - Difference between DA-GCG and RT-SGOL:
    - Can only accept DA-GCG if scheduled in the day-ahead pre-dispatch of record for at least its minimum run-time and to its minimum loading point
    - Can participate in RT-SGOL program if scheduled for at least? one hour in the 3-hour ahead pre-dispatch sequence
- Mandatory Data Submission for Internal Facilities (slide 13) – see discussion of slide 15
- Fixed cost data submission (slide 14):
  - Submit fixed costs ex-ante? Some comments:
    - How will fixed-cost data be used? If the cost data will be used to help IESO make decisions upon which resources to constrain, there should be a clear process defining how IESO selects resources.
    - Getting costs in advance adds a layer of complexity and additional work for both IESO and participants. Is it worth it?
    - IESO needs to convey manual decisions and actions taken during the day-ahead commitment process. These decisions and actions need to be made public without violating confidentiality.

- Some loads believe that there is a business case for 24-hour optimisation as a commitment mechanism. Some generators want such a discussion in a public forum – moving to 24-hour optimisation may delay moving Ontario to a ‘full-fledged’ day-ahead market.
    - This data needs to be subject to audit if submitted ex-post. Probably don’t need to audit to verify manual IESO decisions for commitment.
  - Proposals for fixed-cost data submission:
    1. Ex-post submission of fixed-cost data. Where needed, IESO would constrain resources for adequacy based upon the best data available.
    2. Ex-ante data submission on an intermittent basis. Participants would submit standing cost data (expected infrequent update) or would submit upon a call from the IESO. Requires IESO to have a clear, documented process to define how the data will be used.
    3. Ex-ante submission on a regular basis. Ex-post update of cost data. Requires IESO to have a clear, documented process to define how the data will be used.

IESO has agreed to alter the proposal and adopt option 1 above – fixed-costs will be submitted ex-post.
- Dispatch data submission for Ontario resources (slide 15):
  - Dispatch data to be submitted for Ontario resources for those hours that the generator wants to be available in real-time, for the MWs that the generator might want to schedule tomorrow.
  - The generator will not be allowed to offer in real-time for hours and capacity beyond that offered day-ahead, but changes are allowed for reasonable changed circumstances.
  - Discussions revealed uncertainty on how to handle Segregated Mode of Operation.
- Dispatch Data Submission for Intertie Resources (slide 16)
  - Voluntary submission of import offers
  - Propose that export bids be excluded from the day-ahead commitment process
    - IESO staff are unable to determine an appropriate way to include exports in the day-ahead commitment process.
    - Members are encouraged to suggest alternatives that would allow exports to be included.
    - Some members expressed a concern that
- Data submission during the day-ahead commitment process (slide 17):
  - Modifications of dispatch data to reflect outages and deratings allowed
  - Concerns were raised regarding the practicality of implementing a process or tool that allows changes to some dispatch data during the commitment process but not everything
- Dispatch data changes after the day-ahead reliability commitment process (slide 18):
  - It was acknowledged that there is a design hole regarding the treatment of resources constrained-on during the day-ahead reliability commitment process.
- Acceptance of reliability guarantees (slide 19):
  - Alternate proposal for guarantee acceptance: default rejection requiring confirmed acceptance
  - Revisit RT-SGOL cost provisions?
    - RT-SGOL has this construct as only the fuel cost is included
    - If a PCG-like construct were to be proposed, a 3-part type offer would need to be submitted and settled.

- Complaints from generators that fixed costs (i.e. fuel costs) of RT-SGOL don't adequately cover start-up costs, as they omit variable maintenance costs.
  - Suggestion to revisit RT-SGOL cost provisions and write DA-GCG cost construct consistent with it.
- Other General Comments
  - Suggestion that some form of simulation or testing be done to determine the effectiveness of the proposed day-ahead commitment process and "measure" any effects on the market.