

Stakeholder Engagement – SE7 2006 Day-Ahead Commitment Processes Design Revision 1



November 16, 2005: Airport Hilton Hotel

Introduction

On November 16, 2005, the IESO held an open stakeholder workshop to gather input on the draft 2006 Day-Ahead Commitment Processes design. Prior to this workshop, the IESO had eight focused meetings with the Day Ahead Working Group (comprised of key stakeholders and subject matter experts) to utilize stakeholder input in improving the process design that was previously presented on October 6. The notes and stakeholder comments from the October 6 can be found at: http://www.ieso.ca/imoweb/consult/consult_isr.asp

The format for the November 16th workshop centered on presentations followed by concurrent round table discussions amongst attendees on four specific design topics:

1. Data Submission
2. Commitment Process
3. Reliability Guarantees
4. Compliance and Surveillance

The table discussions included an IESO facilitator and an IESO project team member involved in the design. This permitted stakeholders the opportunity to gain a better understanding of the design and the rationale behind design decisions and to comment on the design.

Group 1

Table Facilitation by Warren Hill. Project Team member Andrew Hartshorn

Name	Company
Jeff Sim	Enbridge Gas Distribution
Craig Lemon	Representing Union Gas
Jay Robertson	Bruce Power
Ken Snelson	AMPCO
Thirumaal Mahalingam	Bruce Power
Ray Wieszczyk	DTE Energy Trading
Mark Mueth	DTE Energy Trading
Paul McCuaig	Powerex

Group 2

Table Facilitation by Jeannette Briggs. Project Team member Mike Stokes

Name	Company
Mike Parkes	ECNG LP
Brent Kassing	The Structure Group
Francois Abdelnour	Ivaco Rolling Mills
Deb Langelaan	Stelco
Maurice Tucci	EDA
Brian Weber	Grimsby Power
Larry Murphy	Inco Limited

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2006 Day Ahead Commitment Processes & Design**

Group 3

Table Facilitation by Candice Trickey. Project Team member Pat Doran	
Name	Company
Safouh Soufi	SMS Energy-Engineering (rep Loads client)
John LeMay	INCO Limited
Naren Pattani	Hydro One Incorporated
Ray Tracey	Essex Power Corporation
Mike Elliott	NOVA Chemicals
Brian Bell	Ontario Power Generation
Tom Chessman	ECNG LP
Jim Cipolla	Northland Power
Randy Heaton	Ontario Power Generation
Gary Wight	Constellation
Steven Yap	Inergi

Group 4

Table Facilitation by Maia Chase. Project Team member Len Kula	
Name	Company
Paul Kerr	Coral Energy
Jaswant Bangaru	AIM Powergen
David Brown	Ontario Energy Board
Dan Allegretti	Constellation
Jim Paton	TransAlta
Juliana Uto	TransAlta
Lorin Busaan	Ontario Energy Association
Behnam Danai	ABB

Group 5

Table Facilitation by Ella Kokotsis. Project Team member Hok Ng	
Name	Company
Raj Thanawala	Direct Energy
Nora Vasquez	TransCanada Energy Limited
Margaret Duzy	TransCanada Energy Limited
Doug Hillstrom	Cargill Energy Trading
Curtis Jaman	EPCOR
Rafal Krzywicki	EPCOR

Group 6

Table Facilitation by Bob Guberman. Project Team member Edward Arlitt	
Name	Company
Bob Friesen	NorthPoint Energy Solutions Incorporated
Darwin Bender	NorthPoint Energy Solutions Incorporated
Ryan Penner	Manitoba Hydro
Kelly Hunter	Manitoba Hydro
Erik Bellavance	Hydro Quebec
Barry Green	Ontario Power Generation
Kevin Mancherjee	Ontario Power Authority
Wendell Klassen	NorthPoint Energy Solutions Incorporated

Data Submission

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2006 Day Ahead Commitment Processes & Design

General Session: Audience Questions and Comments

1. Is there any risk of retaliation from other markets for excluding exports from Ontario's Day Ahead Commitment Processes (DACP)?
2. Would including exports in the Day Ahead Commitment Process (DACP) enhance regional reliability?
3. The Day Ahead Working Group (DAWG) concluded there is no need to put any restrictions on price and quantity changes to offers from Energy Limited Resources (ELRs) without IESO approval.
4. Do non-dispatchable loads have to submit their forecasts for the day ahead?

Group 1

- Works.
- Exports – if not fixed, how good is system?
- Unequal treatment for exports.
- Ontario not interested in economic power leaving Ontario.
- But – if include non-firm exports, may over commit imports.
- Need to incent more Ontario generation by equally incenting exports.
- Does timing mesh with New York ISO Day Ahead or MISO.
- Wheel throughs?

Group 2

- What does the non-dispatchable load do in the Day Ahead commitment process?
Nothing - No change from your current practices.
- Discussion of “no” risk (financial) to dispatchable load.
- Discussion of gaming specifically failure to submit day ahead for Dispatchable Loads and Generators when it is known that next day will require more resources. Dispatchable Loads and Generators come in day at hand after prices ↑ in real time. Won't IESO need to approve these resources due to shortages? Discussion of compliance expectations.
- Further discussion on a design that excludes exports.
- How good is the IESO forecast day ahead? Risk of simply over estimating the need for, imports and non-quick start facilities and therefore unnecessarily paying Import Offer Guarantee (IOG)-Day Ahead and Spare Generation on Line (SGOL)-Day Ahead.
- Is Day Ahead process going ahead for reliability without looking at the cost? Request a cost/benefit analysis be completed!

Group 3

- Not clear on start time for Day Ahead Commitment and Day Ahead Market.
- Don't see Day Ahead Commitment as a stepping stone to DAM – they may not be similar in any way.
- Like to understand issues with exports better. This is an important part of the process.
- Not clear on restrictions/timeline for Dispatchable Loads to change from non-dispatchable to dispatchable.
- Concerned that loophole exists with Day Ahead Generator Cost Guarantee (DAGCG) that may allow gaming for all units other than “quick start” units (potential ↑ CMSC if allow price ↑ after commitment).
- What is market price impact of the program (i.e. “is this reliability free?”)
- What's the definition of min generation:
⇒ Depending on definition could have large impact on guarantee costs.

November 16, 2005: Airport Hilton Hotel
2006 Day Ahead Commitment Processes & Design

- ⇒ Physical capability of unit may not be reflective of min generation.
- ⇒ Need to understand rules and principles behind definition of min generation.

Group 4

- Gives energy limited resources an advantage over other generators and importers.
- Not clear whether Energy Limited Resources can change price and quantity after day ahead process?
- Mandatory to voluntary results in submission of all hours with highest possible MWs produced.
- Energy Limited Resources – reductions to quantity – is that restricted?
- Co-gen – how does it fit in? Will need to be addressed. *The committee working on DACP did not address how changes to capability of co-generation facilities resulting from host operational change could be handled. When a steam host requires less steam (or more) the ability to meet prescheduled electric output is limited (added under revision 1).*
- Mandatory or compulsory – nets the same impact.
- What is the IESO gaining from this – from a reliability perspective? Nothing!

Group 5

- Penalty: Will it be based on difference between price on uniform or zonal → details coming.
- Will it be a compliance issue, or will it be settled out?
- What is “bonified” → parameters will be set on bonified – TBD.
- Penalties in real-time?
 - ⇒ Settlement ideal, but details to follow.
- Concern about being double charged.
- Difference between penalty and settlement charge from a tax perspective could be difficult.
- More clarity needed – more Black and White.
- Slide #15 – last bullet needs clarity → imports allowed to change price, quantity, hours.
 - ⇒ Answer – clarity provided.
 - ⇒ Much import based, as exporter, how will it impact uplift on a real-time basis?
 - ⇒ Answer – uplifts will be incorporated into any uplifts charged.
- Lots of options being removed for exporters.
 - ⇒ IOGs will lead to costs being passed along to exporters.
- Would change to average hourly demand forecast change IOGs and other implications?
- Why are we not implementing a Day Ahead export market?
 - Answer – risk is cost.
- Impact on uplifts.
- Q – What is the role of export guarantee when it exists in other markets?
- Export bid guarantees an issue.
- What is the incentive to bid into market?

November 16, 2005: Airport Hilton Hotel
2006 Day Ahead Commitment Processes & Design

When to Run

- Little bearing for a real-time importer.
- What is the price impact?
- Massive exposure especially with respect to multi-year contracts and overall
- If units get overcommitted, exposure increases.
- Needs a price impact to understand future exposures created by commitment process
- Other markets more established ∴ static and our market always evolving with big Δ's.
- Q – Will Day Ahead be set against pre-dispatch record?
A – done.
- What is impact on MP's locked into long-term Financial Transmission Rights (FTR's) if Day Ahead implemented by June?
- Price impact on Day Ahead will affect those holding FTRs.
- Will there still be failed imports in Day Ahead?

Group 6

- When defining the criteria for imposing penalties on day-ahead imports that don't flow in real-time, the current use of dead-bands in assessing whether imports flowing in real-time met their scheduled obligations established hour ahead should be re-evaluated.

Commitment Process

General Session: Audience Questions and Comments

1. The timing of IESO notification to market participants of its intent/need to (or not to) take commitment actions (following the 11:00 Pre-Dispatch) is important.
2. If the IESO announced it wasn't going to take commitment actions, would Energy Limited Resources still be allowed to change their offers?
3. The integration of the Day Ahead Commitment Process into real-time needs to be further stakeholdered.
4. The quality of the content of Market Manuals needs to be improved. Stakeholders should be involved in the development of Market Manual materials for the Day Ahead Commitment Process and a Stakeholder Engagement Plan for this work is necessary.
5. When will the stakeholder plan for future work on the Day Ahead Commitment Process be published? Where will it be available?
6. Explain why the IESO specifically needs to take commitment actions as part of the Day Ahead Commitment Process. There was an expectation that when the IESO recently withdrew its proposed rule amendment seeking authority to take actions for "overall" adequacy, the commitment actions that are part of the Day Ahead Commitment Process would have been removed.
7. There is a need to understand the distinction between taking actions for "overall" adequacy versus taking commitment actions within the Day Ahead Commitment Process for reasons of power system reliability.
8. Why are we doing the full Day Ahead Commitment Process every day when reliability is not an issue every day? We should confine the use of the Day Ahead Commitment Process only to days when reliability is anticipated to be an issue. Doing it every day will hurt generators in Ontario.
9. The IESO should estimate the impact of the Day Ahead Commitment Process on real-time market prices before going forward with implementation, not after.

November 16, 2005: Airport Hilton Hotel
2006 Day Ahead Commitment Processes & Design

10. The Day Ahead Commitment Process draft motion to the IESO Board should not have a conditional sunset clause. There should be a firm date without any provisions that the IESO Board could extend its use.

Group 1

- Criteria for information to market during process to base change decisions on.
- Will we tell entire market global constrained quantities?
- Every day preferable.
- Every day better for implementation, but may be too much.
- Base load forecast on average, not peak.
⇒ Using peak could lead to over commitment and lowered prices
- 24-hour optimization would more effectively allocate resources.
- Will cost to gas generator of unused committed gas be covered?
- Should be time limited → stop gap?
⇒ Needs to go away sooner rather than later.
- What is the process/conditions for Board to continue?
- Needs to be replaced with a more viable system.

Group 2

- Discussion of why commitment would lead to lower prices Real Time. Day Ahead reduces price volatility.
- Discussion of making Day Ahead guarantees daily is under dispute – but:
⇒ How do you decide to run today and not tomorrow?

Group 3

- Need better understanding of difference between global (overall) adequacy & reliability.
⇒ i.e., when and why can IESO constrain units on.
- Concerned it will be hard to get rid of this “band-aid” solution.
- Is this all being done to mitigate problem of import failure – with cost borne by loads – are we really gaining anything?
⇒ Need parallel commitment from Board for DAM to support this process.
 - Lack of DAM is holding Ontario market back from working effectively.
- Need better understanding of why this needs to be everyday – rationale presented not necessarily sufficient.
- Does this de-value investment (old or new) in quick start units.

Group 4

- Supply side → average prices will decrease.
- If you can't forecast supply how do you know you won't over commit?
- IOG → greater of Day Ahead offer or Real Time → why was that choice made?
- Concerned about bad forecasting.
- What is the criteria being used to commit units? For reliability.
⇒ Will be discussed in market manuals.
- Definition of “Reliability” is a key point.

November 16, 2005: Airport Hilton Hotel
2006 Day Ahead Commitment Processes & Design

- Communication from IESO after 11:07 time, IESO should not only state they will not intend to take action but will Energy Limited Resources be able to make changes.
- Disadvantage to gas generators in Ontario.

Group 6

- Analogous to not assessing penalties to Ontario generators that have legitimate reasons for failing to follow real-time dispatch instructions, for certain pre-defined circumstances, imports scheduled under the Day Ahead Commitment Process should also be forgiven for failing to deliver in real-time.

Guarantees

General Session: Audience Questions and Comments

None.

Group 1

- Revenue beyond minimum generation related revenues need to be included because incremental operations and maintenance cost is included as a covered cost.
- IESO needs to clearly define criteria for decommitting.
- How accurately can the IESO predict intertie capacity? Day Ahead may over commit.
- \$ impact on uplift.

Group 2

- Discussion of import guarantees and implied wheels. Day ahead against real time in order to keep Day Ahead IOG. There must be proof of export contract Day Ahead when an export from Ontario occurs in Real Time which typically would result in IOG “clawback” implied wheel Real Time – import and corresponding export for the same hour.

Group 3

- What’s the rationale for not providing bid cost guarantee for Dispatchable Loads?
 - ⇒ Dispatchable Loads not same as quick start unit.
 - ⇒ Can incur costs such as not having staff show up to operate – but if they do have to operate costs are incurred.
 - ⇒ May be okay for the short term of this program, but concerned that this logic may be used in DAM.

Group 4

- Is there an established standard to come up with cost generator guarantee?
- Will it differ from technology to technology?
- IESO not communicating all of design detail to the Board.
- Market Rules review → view is Energy Limited Resources and imports are favoured. If this is the case, could warrant OEB review of Market Rules.
- Clawbacks from implied wheeling.

Group 5

- Will IOG be paid based on pre-dispatch record offer or a modified offer after the commitment process?
Answer – the higher of the 2 IOG’s would be proposed.

November 16, 2005: Airport Hilton Hotel
2006 Day Ahead Commitment Processes & Design

Group 6

- Are statistics available to compare failed intertie transactions with failed internal generation (i.e. forced outages). How do they compare?

Compliance and Surveillance

General Session: Audience Questions and Comments

1. Why only penalize failed imports when the failure of Ontario generators also hurts reliability? If you can do it for imports, it should not be a big change to also do it for generators.

Group 2

- Ontario generator scheduled Day Ahead but does not run Real Time does not receive a penalty.
- Will the existing surrounding area compliance rules apply for failure of Day Ahead commitments in Real Time A– yes!
- Is there a problem any “settlement charge” is not large enough to avoid Real Time import failures.

Group 3

- Provide examples of settlements to illustrate how process would work.
- Want ability to see cost guarantees in market data on website – want to monitor costs - ↑ to uplift associated with this program.
- If impact of program is to ↓ price could result in ↑ cost to OPA for RFP contracts – assuming they run less as a result.
- Sunset clause is essential.
- Must aggressively pursue DAM.

Group 4

- Caution → could be gaming opportunities because the MCP is not the border/zonal price.
- Why do internal generators not have the same financial penalty as imports?
- Discriminatory concept on compliance – difference between imports and internal generators.
- Combined cycle → offered in as one, components behind the scenes have a cost associated with it – (e.g. gas turbines) → may result in that resource not coming on line.

Group 5

- What is “bonified”?
- Will be stakeholdered next week – do they need to differentiate from market to market?
- What are consequences on compliance if you do not flow?
A – this is a settlement issue.
- Without a settlement charge, there is no incentive to flow.
- Are there bias in the settlement formula biasing exporters not to show up?
- Bias in one direction exists and needs to be sorted out.

Group 6

November 16, 2005: Airport Hilton Hotel
2006 Day Ahead Commitment Processes & Design

- The following are potential legitimate reasons for import failures (i.e., reasons for which no penalties would be imposed for imports scheduled under the Day Ahead Commitment Process and failing to flow in real-time).
 - Failure of non-firm transmission
 - Inter-jurisdictional timing issues that add risk to scheduling imports
 - TLRs
 - Ramping limitations
- With the institution of the Day Ahead Commitment Process, bidding/offering behaviours in real-time are likely to change. The Market Surveillance Panel has to account for these changes resulting from the day-ahead commitments when assessing offer behaviours in real-time.
- The extent of the settlement charges for import failures needs to be clarified.
- Crowding out of imports by Ontario generators through their offer behaviours is a concern of traders.