

21 November 2005

Re: Project Estimate to Implement Day Ahead Commitment Processes for June 1 2006

Ken,

As requested, I am supplying a 'ball-park' estimate of the IESO costs to implement the Day Ahead Commitment Process design. We understand that you need the estimate to better inform Stakeholder Advisory Council discussions on November 28 and IESO Board discussions on December 7.

The current best estimates are:

- Projected spend to end of 2005 ~ \$ 1.0 M
- Estimated spend in 2006 ~ \$ 7.5 M
- Total estimated project spend ~ \$ 8.5 M
- Confidence interval on total spend: lower bound \$ 8.0 M
upper bound \$ 10.0 M

These estimates are based on a number of assumptions. Most importantly they anticipate IESO Board approval of the design concept embodied in the DRAFT Executive Summary of the "Day Ahead Commitment Process with Reliability Guarantees" of November 11 (and therefore no significant changes to the design document that has been prepared consistent with the Executive Summary).

Even given approval of the known aspects of the design 'as is', there is still uncertainty surrounding the estimate and the confidence interval for two reasons. Firstly, even at this point there are a number of market design details still to be finalised and secondly, because we have just begun to consider the impact of the resulting implementation. However, we have tried to take a balanced view and the estimate anticipates:

- changes to some existing systems to implement some aspects of the design:
 - changes to Market Rules for submission of dispatch data;
 - new Market Rules for the establishment of day-ahead reliability guarantees;
 - new Market Rules for a day-ahead import failure settlement charge; and
- no changes to the existing pre-dispatch scheduling sequences.

Assuming that the IESO later implements a Day-Ahead Market with the features and systems comparable to the Comprehensive DAM proposed in 2004, most of the processes and systems implemented to support the Day Ahead Commitment Process (DACP) design may not be adaptable or re-usable.

The implementation of the Day-Ahead Commitment Process is expected to have a limited impact upon Market Participant processes and systems. Current Market Participant interfaces for the submission of offers and bids are expected to be unchanged (with perhaps one

exception, as the method of acceptance or rejection of the DayAhead Generator Cost Guarantee is not yet specified). Additional cost and technical data would be provided off-line, perhaps through a form. There will be changes to data provided by the IESO to Market Participants – we anticipate new settlement charge codes, new text messages regarding DACP data submissions and events, and additional IESO reports. At this time, I do not have the data to quantify the cost.

Although we have not explicitly discussed delivery feasibility here, as time passes, pressure upon delivery and proper testing grows for June 1 '06 implementation. Based upon my knowledge today, I have no reason to believe that we cannot implement to meet this date. However, outstanding design issues need to be resolved quickly to maintain a June 1 '06 implementation.

If you have any questions or comments, please let me know.

Leonard Kula
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IESO