

MR-00338 Economic Dispatch of Linked Wheels Working Group



Notes of Meeting – FINAL

Date held: September 25 th , 2008	Time held: 1:30 p.m. to 3:30 p.m.	Location held: Teleconference
Invited/Attended:	Company name:	Attendance Status: (A)ttended; (R)egrets; (S)ubstitute
Bellevance, Eric	Hydro Quebec Energy Markets	A
Chagnon, Guy	Hydro Quebec Energy Markets	A
Cormier, Pascal	Brookfield Power	A
Gell, Richard	Ontario Power Generation	A
Kaiman, Daryl	Brookfield Power	A
Kapteyn, Robert	IESO	A
Leung, Linda	Ontario Power Generation	A
MacKenzie, John	IESO	A
Macuaig, Paul	Powerex	A
Radan, George	Silverhill	A
Peterson, David	Ontario Power Generation	A
Tintor, John	Silverhill	A
Wetzel, Ray	Constellation Energy	A
Wight, Gary	Constellation Energy	A
Scribe: John MacKenzie, IESO. Please report any corrections, additions or deletions to these notes to the following e-mail address: john.mackenzie@ieso.ca		

Review of Notes from September 12th, 2008 Meeting

No comments.

Follow-up on Action Items

Action Item	Status
1-2: IESO to investigate use of collaboration portal for development/review of Working Group documents prior to publication.	Open. IESO investigating use of the portal.
1-3: IESO to publish Working Group documents on IESO public web site.	Open. IESO establishing Working Group web page on IESO public web site.
2-1: IESO to send IESO web site links and report titles for the published intertie shadow price reports.	Open.

2-2: Silverhill to draft description of CMSC-like payment option.	Closed. Description provided 19 Sep 08.
2-3: Ontario Power Generation to draft description of the two-bid transaction option.	Closed. Description provided 22 Sep 08.
2-4: IESO to circulate to the Working Group the draft descriptions from Silverhill and Ontario Power Generation.	Closed. Draft descriptions distributed to Working Group 19 and 23 Sep 08

Review of 2-Bid Transaction Design Option

1. Concern that the 2-bid transaction would result in linked wheels having inappropriate preferential access over imports and exports with respect to intertie capacity. Under the 2-bid transaction, a linked wheel could use one part of the bid strategically (i.e. as a price taker) to ensure it gets scheduled in the constrained sequence, but limit its financial exposure in the unconstrained sequence through the second part of the bid.
2. It was noted that linked wheels get a form of preferential scheduling access today only because of the requirements to offer the import leg at -50\$ to -2000\$ and to bid the export leg at +2000\$. However, the same bid and offer requirements also force the participant to accept the financial risk for a linked wheel.
3. Working Group generally agreed that this was a significant issue that reduced the viability of this design option.

Review of CMSC-like Design Option

1. After discussing various side payment options, some Working Group members agreed that the following design feature should be explored further:
 - a) No change to the proposed design of the single bid linked wheel i.e. a single bid for linked wheel, with bid price being the amount the participant is willing to pay to have the linked wheel flow. The bid price would need to be higher than the difference between the sink nodal price and source nodal price.
 - b) The linked wheel single bid would be evaluated in both pre-dispatch constrained and unconstrained sequences.
 - c) Real-time settlements would be: linked wheel bid price *minus* (real-time unconstrained sequence sink intertie zone price *minus* real-time unconstrained sequence source intertie zone price)
 - d) Real-time settlements would also include eligibility for a side payment to keep the linked wheel financially whole to their pre-dispatch unconstrained sequence financial position.
2. Rationale for the design includes:
 - a) Scheduling and settlement should be on the basis of a single bid, like other market transactions.
 - b) A market participant wishing to conduct a linked wheel must bid so as to be scheduled in both hour-ahead pre-dispatch sequences.
 - c) The market participant is, through its bid, trying to manage the financial risk established in the hour-ahead pre-dispatch unconstrained sequence. Changes from the hour-ahead pre-dispatch to real-time are beyond the control of market participants.

- d) Side payments are justified given the general benefits that linked wheels provide to the market: increased liquidity, revenues to Ontario through uplift and transmission payments. In addition, side payments are also justified on the basis that more economic dispatch of linked wheels would result in more economically efficient dispatch of other transactions and domestic resources.

Outstanding Action Items

1-2: IESO to investigate use of collaboration portal for development/review of Working Group documents prior to publication.

2-1: IESO to send IESO web site links and report titles for the published intertie shadow price reports.

3-1: IESO to provide further information and examples regarding mathematical evaluation of linked wheels in the proposed design: e.g. how does linked wheel compete with domestic resource?

3-2: IESO to revise design document to include the side payment feature.

Next Meeting

Thursday October 9th, 2008