

Notes from the 32nd Meeting of the Market Pricing Working Group

Friday September 1, 2006 8:30 – 12:30

FINAL

Attendees:

<u>Name</u>	<u>Company</u>	<u>Name</u>	<u>Company</u>
Abdelnour, Francois	Ivaco Rolling Mills	MacDonald, Darren	Gerdau Ameristeel Corporation
Alpajaro, Peter	Bruce Power	McCuaig, Paul	Powerex
Armstrong, George	Veridian Connections	Rothman, Mitch	Navigant Consulting (on behalf of Transalta)
Benner, Ryan	Dofasco	Wu, Lawrence	TEAM Limited
Blechta, George	Xstrata	Yang, Bun Li	E4
Cananzi, Max	Horizon Utilities (on behalf of EDA)		
Cary, Rob	Cardinal Power	Briggs, Jeannette	IESO
Cipolla, Jim	Northland Power	Chase, Maia	IESO
Clark, Wayne	AMPCO	Devereaux, Dave	IESO
Dade, Christine	Direct Energy	Dieterle, Chris	IESO
Duzy, Margaret	TransCanada Energy	Katsuras, George	IESO
Heaton, Randy	Ontario Power Generation	Kozlik, Ken	IESO
Hunt, Robert	Optimal Technologies	Morris, Elizabeth	IESO
Kerr, Paul	Coral Energy	Travers, Scott	IESO
Leung, Linda	Ontario Power Generation	Wilbur, Bill	IESO

Item #1: Administration

Proposed Terms of Reference Changes for Market Pricing Working Group

Member Questions and Comments

- a. Language in Section 5 (g) is too narrow and harsh
 - Response: Language around membership level of preparedness for each meeting will be softened.
- b. Members do not want to be responsible for ensuring their written materials get to other members and it is assumed to be the responsibility of the IESO.
 - Response: Wording of Section 5 (h) will change to reflect it is the IESO that is to receive members written materials and distribute to other members.
- c. Remove Section 6 (d) reference to opinions, comments, and debates will wait until the conclusion of the presentation.

- Response: Wording will be removed. It was agreed that members will respect the discretion of the presenter and/or Chair to determine if any debate is adversely impacting the flow of a presentation and therefore can be parked until after presentation completion.
- d. Membership should be better balanced and no more than two representatives per company
- e. Fairness does not necessarily mean “equal” treatment for all.
 - Response: IESO will review the use of the word “equal” in the decision criteria.
- f. Efficiency should be defined as it means different things to different people.

Item #2: Locational Marginal Pricing Study

- Dave Devereaux (IESO) gave presentation on a proposed LMP stakeholder plan and IESO proposal for analysis to be undertaken in the study of locational marginal pricing models for Ontario (refer to published presentation).

Member Questions and Comments

- a. Members suggested the following need to be included in the analysis:
 - Options for the different MIO price calculation methods in the constrained run needs to be addressed in terms of possible impacts.
 - More generation has come on-line over the study period and the effects of this should be isolated for trending possibilities in anticipation of additional generation coming on-line.
 - A possible locational pricing model using regional boundaries was briefly discussed – it was suggested that any basis for division of zones other than an electrical one would be difficult to defend and therefore this study should only examine electrical zones.
 - More meaningful aggregation of information is reasonable but must be explained and supported by the raw data - all nodal data should be made available.
 - Look into effects of changing price cap to something greater than \$2000.
 - Provide an estimate of the impacts of moving from 12X to 3X ramp rate.
 - Provide standard deviations for price volatility impacts.
- b. Request for a presentation on static versus dynamic loss modelling
- c. Request for further specific explanation of the difference between the unconstrained and constrained pricing algorithm handling of operating reserve shortages
 - Response: IESO will provide further detail.
- d. Request for information on how MIO is handled in the constrained run.
 - Response: Past presentation made to MPWG April 19, 2005 is available at the following link:
http://www.ieso.ca/imoweb/pubs/consult/mep/MP_WG_2005Apr19_Expl_MIOPrng.pdf

Next steps on this study:

- October 6 MPWG meeting – Review of initial analysis

Item #3: Emergency Pricing

- Scott Travers presented an overview of emergency pricing events in the past year (refer to published presentation). This presentation did not include the results of simulations to demonstrate the effects on price that last year's emergency pricing rule change had since these simulations are not completed yet. This will be presented at the next meeting.

Member Questions and Comments

- a. Members suggested the following issues need to be addressed in subsequent results presentation :
 - Use terms import and exports versus injections and off-takes
 - Provide shadow price of Richview node during emergency event hours
 - Provide graphs of CMSC in \$/MWh
 - Confirm hour of September 12th voltage reduction (two different hours noted)
 - Provide analysis/explanation for July 31, 2006 HE 19, 200 MW EE purchase during a period of declining HOEP

There was also some discussion of the possibility of administering prices to preset values during emergencies. This was included with the possible solution options to this issue when it was discussed last year, but was not chosen at that time. Members requested that a more fulsome discussion of this topic take place at the next meeting when the simulation results are available and a better determination of the effectiveness of the emergency pricing rule change can be made.

Next steps on this issue:

- October 6 MPWG meeting - discussion of simulation results and any necessary changes to the emergency pricing methodology.

Item #4: Other Activities

Locational Pricing Stakeholder Plan

- Written comments on the Locational Pricing Stakeholder Plan to be submitted by September 18th, 2006 at stakeholder.engagement@ieso.ca

Intertie Transactions Setting Real-Time Price

- MPWG members to submit written opinions on this issue by September 29th, 2006 at stakeholder.engagement@ieso.ca or market.pricing@ieso.ca

Peak vs Average Pre-dispatch Demand Forecasting

- To be discussed at October 6 MPWG meeting.