

Recommendation on DACP SE-22 Presentation to the SAC

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Day Ahead Commitment Process

- Events in 2005 underscored the challenges that could be faced in providing a reliable supply of electricity in Ontario over the next few years
- Development of a Day Ahead Commitment Process (DACP) was a cornerstone of the reliability initiatives undertaken for the summer of 2006
- Market Rules for DACP do not allow continuation past November 30, 2006 unless the IESO Board directs otherwise

SE-22 Assessment of the DACP

- Working group of interested market participants met roughly once a month over the summer
 - Developed a data set for publication
 - Reviewed IESO analysis of DACP benefits and costs
 - Input to IESO Recommendation

See SE-22 webpage for details:

http://www.ieso.ca/imoweb/consult/consult_se22.asp

DACP Reliability Objectives

The DACP was introduced to enhance reliability through day-ahead import and generator commitment. The IESO developed three main criteria to assist in determining whether this objective was met. If:

- Imports were able to be scheduled day-ahead,
- Import failures were reduced, and
- Sufficient internal generation was online to meet demand.

DACP Reliability Objectives - Results

- Imports were able to be scheduled day-ahead
 - 77,511 MWh of imports scheduled day ahead
- Import failures were reduced
 - Total failure rate fell from 3.9% to 2.8%, day ahead transaction failure rate was 1.4% compared to a real time failure rate of 4.8%
- Sufficient internal generation was online to meet demand.
 - On peak day of the summer 98.6% of generation was economically scheduled day ahead

The DACP met all three reliability objectives.

DACP Reliability Objectives - Costs

- DACP came into service on time and under budget, at a cost of \$2.6 million.
- Costs to operate the DACP for market participants and the IESO have been relatively small.
- Total IOG costs during the operation of the DACP were \$6.65/MWh, not unexpected due to continuing convergence between predispach prices and real time prices.
- The increase in cost to the market of offering the DA GCG has been approximately \$1.1 million when comparing unit starts under the DA GCG to similar unit starts under SGOL.

DACP Recommendation

- Continue the DACP 24/7 for all days of the week until such time as another program is put into service that provides the same reliability benefits.
- Continue to monitor the performance of the DACP and publish data and assessments to market participants.
- Initiate reviews of:
 - Efficiencies of DA-GCG and RT-SGOL
 - Effectiveness of offering Financially Binding Status and the DA-IOG Offset Exemption
 - IESO day ahead demand forecast performance

Future Enhancements of DACP

- Other jurisdictions with Day Ahead Markets use processes similar to the DACP for day ahead commitment of resources.
- These DAM processes differ from the IESO DACP in their use of 24 hour optimization using competitive three part bids and offers.
- The IESO recommends that decisions on these types of enhancements to the DACP be part of the DAM project.