

Intertie Trading Sub-Committee

Minutes of the 3rd Meeting of the Intertie Trading Sub-Committee

June 1, 2004, 9:00 – 4:00

Attendees:	Alain LeBlanc	Brascan
	Brian Bell	Ontario Power Generation
	Dan Lapierre	Brascan
	Michelle Lozano	EPCOR
	Margaret Duzy	Transcanada Energy
	Paul Kerr	Coral Energy
	Scott McArthur	Ontario Power Generation
	Steve Tsingas	Connectiv Energy
	Bill Wilbur	IMO
	Darren Finkbeiner	IMO
	Scott Travers	IMO
	Carm Phillips	IMO
Via telephone:	Paul McCuaig	Powerex
	Karen Kochonies	Morgan Stanley

Item #1: Events of January 15, 2004

Bill Wilbur provided the presentation that discussed the near shortage and administered pricing events of January 15, 2004.

An attendee asked whether the generators were offering energy that they could not provide (re: frozen coal). Another attendee indicated that this situation is addressed not by the offer but by derating, that was the procedure being used. The IMO clarified that a derating feeds into the IMO dispatch tools and affects the market (immediately) and constrained schedules (10 minutes later).

A question was asked whether the failed imports were all economic. From IMO's point of view they are. Where the pre-dispatch does not pick up an import, then conditions change and the import is now economic, the IMO will try to get it but if we can't it is not a failed transaction.

An attendee indicated that deratings, out of market actions, and the timing sequence all lead to failed transactions. The IMO market is not mature enough to allow for a lot of self-scheduling (PJM 90% is self-scheduling because they have bilaterals or participated in DAM). Shouldn't characterise it as the failed transactions having caused the problems – they were part of the result.

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An attendee asked if NY was experiencing any abnormal conditions that day. The cold weather did extend throughout New York and New England, however, the IMO is not aware of any abnormal scheduling issues in NY on that day.

Discussion of how the IMO gets more transactions than that scheduled in constrained schedule – doesn't it need to be in pre-dispatch? No, if IMO schedules additional imports after final pre-dispatch then these extra imports are placed in both the constrained and unconstrained schedules. If necessary, internal resources will be backed off with CMSC payments. The IMO tries to schedule additional imports before buying emergency energy. We make every attempt to follow the Emergency Operating State Control Actions list (Market Manual 7.4, Appendix E). The IMO is not required to follow the list in sequence, but will attempt to do so.

Action – IMO to look into creating a Quick Take for Market Manual 7.4

An attendee indicated that traders need to be able to understand and be provided information on disposition of transactions on complex/non-typical days. Maybe the IMO could have participant specific post mortems.

The general view of attendees is that the IMO should allow in-market or close to in-market solutions to solve problems rather than going to completely out of market solutions.

Administered Pricing – did prices go down because of administered pricing in higher demand hours? (The IMO indicated that our analysis shows that administered prices were reflective of reality.)

Can the IMO re-run the tool and re-calculate prices, an administrative re-run? (The tools do not have that capability) – Can the IMO treat emergency transactions as dispatchable load? The situation indicates that the market is short and price should be rising, yet it goes down when emergency energy is purchased. This is a pricing issue that will be discussed at the Market Pricing Working Group (MPWG).

An attendee asked what the internal pricing team has done to research the emergency energy pricing issue. The IMO responded that the MPWG has taken over this issue and the work done by the internal pricing team will inform the MPWG discussion.

An attendee asked if the pre-dispatch prices were inaccurate because of unit derates not being pulled into the evaluation. Darren responded that the IMO is not aware of that being a contributing factor – the more important fact was that the derate forecasts used for the pre-dispatch turned out to be inaccurate.

An attendee asked if the IMO would allow participants to query on where they are in relation to their 3% intertie failure limit. The intent of the compliance guidelines is to promote compliance 100% of the time with an out. The IMO does not want to set a boundary, and therefore promote failed transactions when a participant is well under the 3% limit. The IMO will not be providing an updated status for participants regarding their proximity to the 3% limit.

Item #2: Principles for Manual Adjustment of Intertie Transaction Schedules

Darren Finkbeiner continued the discussion from the March 29, 2004 sub-committee meeting on this topic. The presentation included the principles that the IMO follows when making manual adjustments to intertie transactions as well as several illustrative base cases.

An attendee reiterated a comment from the last meeting that the first principle should specify that the IMO will only intervene when the constrained schedule does not have sufficient resources. This was agreed. The current tools would not allow the IMO to see and correct a deficiency that is only present in the unconstrained schedule

Action – IMO will add the word ‘constrained’ to principle 1.

IMO Response – This change has been made. The material posted on the Intertie Trading Sub-committee web page for the June 1, 2004 meeting reflects the new wording agreed to here.

In the situation where the IMO attempts to schedule additional import offers that were not scheduled in the final pre-dispatch, is it possible that the IMO might cause congestion on an intertie, especially if the intertie was close to the limit in pre-dispatch? The IMO will only schedule additional imports up to the intertie limit, and therefore not create congestion.

An attendee questioned the consistency with the principles, since the tools are not adequate to assess both constrained and unconstrained. Look at unconstrained separately. The IMO responded that the principles were developed knowing that we can only make changes based on the constrained schedule and this may not be an appropriate change for the unconstrained. The constrained and unconstrained schedules are in different places – the solutions would likely differ and any change in the constrained would not necessarily be the appropriate/correct change in the unconstrained schedule. This is the best solution possible at this time.

Action: Participants would like to have a simple table of planned actions for each possible scenario or base case.

Attendees expressed some concern with base case 5 where an adequacy problem is identified after final pre-dispatch but before real-time. The IMO will constrain on additional imports and/or constrain off scheduled exports and there will be no CMSC payments. Imports will be held whole since they will receive IOG payments if necessary, however the curtailed exports will not be compensated. One option for mitigating this is to make an Operating Reserve offer with the export. This makes the export slightly more likely to be recalled, however, an OR payment is received for all intervals that the export is scheduled, and the export is eligible for CMSC.

It was suggested that for base case 5 the IMO should look for a few example days for low internal adequacy and see what the difference would have been if the pre-dispatch was re-run. This may be an issue that should go to the Market Pricing Working Group.

Base Case 6 – Attendees agreed with the changes proposed.

Action – The IMO will change base case 6 as discussed, leave others alone for now. Further discussion on the appropriateness of base case 5 can occur at the Market Pricing Working Group.

Item #3: NERC e-Tagging Issues

Darren Finkbeiner discussed the recent change to NERC e-Tagging procedures that NYISO implemented and the affect on IMO transactions. NYISO is now adjusting the e-tag to match the result of their Balancing Market Evaluation (BME) and they will reject any attempts by participants to update the e-tag after that. This will be a problem for a participant that wishes to update their e-tag based on the results of the IMO final pre-dispatch, which runs after the NYISO BME. NYISO will only accept e-tag changes that are initiated by another ISO.

In order to reduce tag problems with IMO/NY transactions, participants should put a tag in with their offer (as before) however do not update the tag after final pre-dispatch (approximately 45 minutes before start of dispatch hour). The IMO will update the participant's e-tag and confirm with NYISO. If there is an error on the e-tag other than the MW quantity, then call IMO and IMO can fix the tag.

This only applies to transactions between the IMO and NYISO. For transactions between the IMO and HQ or MISO, the participant is responsible for maintaining an up to date e-tag, as indicated in the IMO market manuals.

Item #4: Net Interchange Scheduling Limit

Scott Travers presented an overview of the Net Interchange Scheduling Limit (NISL).

An attendee questioned the need for this limit when one of the reasons behind it is to reduce wear and tear on internal generating units. Why wouldn't you let the market handle wear and tear on internal units? Scott responded that it is not only unit reliability but also overall system ability.

It was suggested that the issue behind this is a shortage of fast ramping generation and the use of 12x ramp rate masks the value of fast ramping resources.

An attendee asked what the maximum market demand change would be with load and intertie change acting in the same direction. Darren responded that the load increase over two intervals could be 600 MW, and with a maximum intertie ramp of 700 MW that would be a total change of 1300 MW over ten minutes.

An attendee asked if the manual intervention (when necessary) is done is far enough in advance so that NY would see the new values before 2 hours ahead? Darren responded that this would depend on the circumstances.

Action – The IMO to look at the possibility of an identifying code for the manual NISL process – this may be another base case for the manual adjustment of intertie schedules issue.

Participants have an issue in that they never know when their transaction has been constrained by NISL. Darren responded that this is difficult to determine but a clue is that your constrained transaction was economic, and the IS code applied is "AUTO".

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It was suggested that the IMO should have NISL as another IS code that would be identified in reports and on settlement statements. This is on the list of potential changes for the IMO however it is currently a low priority.

When NISL changes intertie schedules automatically, the control room operator does not even see it. It takes IMO staff several hours to track it down when asked by a participant.

An attendee asked for clarification of calculation of NISL – does the 700 MW limit apply to all interties including HQ? It does include all interties. Also, the IMO has the discretion to ignore this limit if necessary.

Attendees suggested that they would like to have NISL identified in some way - whatever is easy to produce would be helpful.

Action: IMO to report back to Intertie TSC with the status of NISL reporting.

Item #5: Intertie Shadow Prices

Darren Finkbeiner led a brief discussion of Intertie Shadow Prices. The discussion centred on the publishing of intertie shadow prices, which the IMO does not currently do. It is the IMO's contention that these shadow prices are not appropriate and could lead to misinterpretations.

Action: The IMO to provide further reasoning as to why the shadow prices can't be reported and could lead to wrong interpretations

Action – The IMO will look at publishing pre-dispatch intertie shadow prices with appropriate caveats.

Next Meeting Date

The next meeting of the Intertie Trading Sub-committee will be in September. A date in the middle two weeks of September will be chosen and announced in August. It was suggested that it be scheduled close to one of the other meetings in September such as MOSC, DAM or MPWG.

Suggested topics for the next meeting:

Intertie Shadow Prices – continued discussion

Intertie Scheduling Codes – looking for input from participants (agenda item 2 from today's meeting)

Focused training on treatment of imports/exports in the DAM