

## Minutes of the 5<sup>th</sup> Meeting of the Intertie Trading Sub-Committee

February 11, 2005, 8:30 - 2:00  
2645 Skymark Avenue  
Mississauga, Ontario

### Attendees:

Erik Bellavance	HQEM	Yuri Waldo	Brascan
Peter Bettle	Brascan	Bruce Thompson	Ontario Power Generation
Guy Chagnon	Hydro Quebec	Ray Wieszczyk	DTE Energy Trading
Margaret Duzy	TransCanada Energy Ltd.		
Randy Heaton	Ontario Power Generation	Paul Berry	IESO
Doug Hillstrom	Cargill	Harry Chandler	IESO
Paul Kerr	Coral Energy Canada	Al Findlay	IESO
Michelle Lozano	Epcor	Darren Finkbeiner	IESO
Paul McCuaig	Powerex	Richard Penn	IESO
Jay Robertson	Bruce Power	Carmela Phillips	IESO
Raj Thanawala	Direct Energy	Bill Wilbur	IESO

### Via telephone:

Joe Lewis	Constellation Power Source, Inc.
Dean Luciuik	Powerex Corp.
Bob Thompson	NYISO
Ray Wetzel	Constellation Power Source, Inc.
Dennis Slade	Northpoint Energy Solutions Inc.

### Item #1: Proposal for Changes to Compliance Guidelines

Harry Chandler of Market Assessment & Compliance Division (MACD) introduced the compliance items that were going to be covered by Carmela Phillips, Richard Penn and Paul Berry. Harry emphasized the importance of pre-dispatch price signals being a good indicator of real time (RT) prices for effective operations and market efficiency. At present, the pre-dispatch price does not always accurately reflect RT price. One cause for the inconsistency between pre-

dispatch and RT prices is transaction failures. MACD is attempting to reduce transaction failures through changes to compliance guidelines. Harry requested that attendees keep in mind this broader objective as they listened and contributed to the presentations by MACD staff.

**Carmela Phillip's Presentation:**

Carmela noted there were some changes to her presentation slides from the previously posted presentation slides in order to provide additional clarity of data. The updated presentation is now posted on the Intertie Trading Sub-Committee web page:

[www.ieso.ca/imowebpub/200502/intertieTrading\\_2005Feb11\\_IntrTieFailrsMA CDGdlns.pdf](http://www.ieso.ca/imowebpub/200502/intertieTrading_2005Feb11_IntrTieFailrsMA CDGdlns.pdf)

Carmela presented data to illustrate the transaction failure trends from January 2003 through December 2004.

Carmela suggested that MACD is interested in dealing with the trend of NERC tag and economic failures that has remained constant at approximately 28% for the last 2 years. An illustration can be found on slide 9, titled "Intertie Scheduling Differences Between Pre-dispatch and Real Time". Carmela noted the need to address all perceived problems causing failed or cancelled transactions specifically noting the yellow line (external transmission) and grey lines (NYISO security) on page 9, but explained that her focus was compliance screening to deal specifically with NERC tag and 'economic' failures.

Under the existing MACD guidelines, events having a market and or reliability impact are not subject to investigation because of the definition of safe harbours.

Bob Thompson from NYISO was available by telephone to speak to the work that NYISO and IESO are doing to address NYISO security issues. A discussion with Bob by teleconference followed Carmela's presentation.

A discussion of the inclusion of anomalies (very high or low data points) in trend data, which affected the average results depicted in some slides, resulted in MACD's commitment to review and supplement the data presented. MACD will consider whether it is appropriate to remove any data points in future calculations and presentation of averaging particularly when this averaging is used for discussions around implementation of compliance changes. At the same time, the IESO asked that ITS attendees consider the data that they would like to see in future presentations and MACD analysis.

**ACTION:**

MACD is to review data used in a presentation to determine if any data points need to be removed or altered.

**Attendee Comment and Question:**

Attendees asked for clarification of data and for the provision of more in depth data and analysis.

**IESO Response:**

MACD will review the data and provide additional data and analysis. Attendees are requested to email data requirements to [MACD@ieso.ca](mailto:MACD@ieso.ca)

**Attendee Comment and Question:**

Quantities of transactions fail due to not being able to reserve transmission at the Michigan interface. Could we change the MISO agreement?

**IESO Answer:**

The IESO is working with MISO to develop necessary inter-jurisdictional agreements but MISO has many conflicting issues as they open their market. The IESO is reviewing the compliance guidelines in conjunction with the existing agreements/protocols.

The IESO acknowledges that their Memorandum of Understanding with ISONE, PJM and NYISO and corresponding relationships need to be updated. The big problem is how to change agreements so that “seams” issues are minimized? For example between NYISO and IESO issues relating to protocols cannot currently change due to either existing IT system or timing issues. Alternatively, IESO cannot set a protocol for when an external market such as PJM calls a TLR. No one has a good way to incorporate external congestion issues into their market. The IESO is working on ways to mitigate the market impact for things like TLR.

**Attendee Question:**

Has the IESO spent enough time and energy settling coordination issues in view of the effort to change MACD procedures to increasing sanctions?

**IESO Proposal:**

Can we propose as a group that we get together to go through the intertie area agreements and NYISO protocols and give you a chance to discuss and provide improvements? We would appreciate hearing your suggestions for implementing changes to existing protocols.

**Attendee Comment:**

Maybe we can look at if there has been any protocol or other changes, of a significant nature, that has altered the market operation since market open. Several questions from the traders focused on the impact of failed transactions that are not in the trader's control, such as those that fail because of TLRs and NYISO security. Traders asked that the IESO focus as much attention on these issues as on those failed transactions within the trader's control.

**ACTION:**

Bill Wilbur will arrange a meeting to discuss "SEAMS" issues in March and representatives from MISO and NYISO will be asked to attend. (Noted – a request by an attendee that future meetings not be held on Fridays to accommodate out of town attendees.)

Carmela finished her presentation with a request for feedback from meeting participants (written – [MACD@ieso.ca](mailto:MACD@ieso.ca) or oral – Bill Wilbur, Carmela Phillips, Harry Chandler or Market Relations consultant) and a commitment to establish a smaller working group of ITS members to review data, and develop a proposal for implementation to reduce transaction failures. The proposal will be presented at a future ITS meeting.

**ACTION:**

MACD will establish a small working group over the next few weeks to address the issues identified and will provide a status report at a future ITS meeting. MACD will be moving forward with an assessment of the guidelines and their eventual revision and will be seeking the advice and assistance of the Intertie TSC in this endeavour.

**Richard Penn's Presentation:**

Richard began by stating that his presentation was intended to give examples of what is actually happening in the market.

As segue from Carmela's presentation, Richard noted that along with other reasons (IESO forecast errors in dispatchable and non-dispatchable load), one reason for the pre-dispatch and real time demand and prices (blue line, green line) deviation is transaction failures. The IESO needs to address the failures to move the blue line/green line closer.

**IESO Question:**

Can we look at implementing an incentive to use linked wheels?

Attendees indicated that there is no financial incentive to use linked wheels and in fact, it is simply easier to completely separate transaction tags. Attendees also noted that many “implied wheels” occur because of multiple transactions by different people in the same company.

**IESO Response:**

Discussion ensued of linked wheels and implied wheels. MACD is looking at the \$2M paid in IOG for transactions that had a corresponding (same hour transaction) failed export transaction. Richard impressed on those in attendance that MACD is interested in the transaction “behaviour” principally. You should not be guaranteed an IOG payment if one-half of your wheel fails. By taking away the IOG, more care might be taken to ensure that the export is completed when possible. Less failed transactions will help to improve market efficiency. Furthermore, IOG was implemented as a price guarantee for imports. The price “risk payments” encourage imports, helping to ensure adequate Ontario energy supply. In the case of an import that has a corresponding export, the IESO was not counting on the import to meet overall Ontario demand requirements. Why should Ontario loads pay for a price guarantee after the fact?

**Attendees responded:**

The IESO might be implementing a change towards more expensive imports, less imports, or no imports at all. Why are we spending time going after \$2M, surely our time and yours could be better spent on other issues?

**IESO Response:**

The rationale of IOG payments to support Ontario adequacy does not pass muster in these circumstances and if the removal of the IOG would contribute to fewer export failures, it would also help to improve the persistent pre-dispatch to real time price discrepancy.

**Attendee Question:**

What will be the impact on the pre-dispatch to real time price difference if there are fewer failed exports? For example, if there is a persistent \$10 difference, how much would this be reduced by fewer failures?

**IESO Response:**

The price impact would be very difficult to determine because it would require assumptions on market participant behaviour.

### **Item #3: Information Sharing Agreement with NYISO**

#### **Paul Berry's Presentation:**

Paul reiterated that NYISO and IESO have entered into an agreement providing procedures and safeguards for the exchange of confidential information. Since NYISO's FERC approved tariff does not allow the communication of confidential information a standard release form has been created to facilitate participant's authorizing NYISO to release its information to MACD. While the issue might not be high on FERC's agenda, it does not preclude NYISO and IESO going forward with the development of an information sharing process. MACD suggested that going directly to NYISO for data simplifies the process, ensures data integrity and timeliness.

#### **Attendee Responses:**

MACD should tell the MP first that a request is being made to the NYISO via a notification method.

The IESO should proceed with a market rule amendment if MACD wants market participants to be obliged to sign the release. Unless we are obliged by the market rules our organisation will not sign the release.

#### **ACTION:**

MACD will consider these comments while determining the procedure and process.

#### **Attendee Question:**

How does this affect the self-reporting mechanism?

#### **ACTION:**

Paul Berry to find out and respond at another ITS meeting

An updated Compliance Data Release Form has been posted to the IESO website:

[www.ieso.ca/imoweb/consult/intertieTrading\\_sub.asp](http://www.ieso.ca/imoweb/consult/intertieTrading_sub.asp)

MACD asks attendees to provide feedback on the Form (written – [MACD@ieso.ca](mailto:MACD@ieso.ca) or oral – Bill Wilbur, Carmela Phillips, Harry Chandler or Market Services consultant). The 10 day response noted in Paul's presentation has been extended.

Harry Chandler ended the MACD presentations by posing the following questions:

Is there another formula for discussing and resolving issues on compliance? What other type of process could we use? Are there data issues that the IESO could make more available and understandable to you?

The IESO is interested in market efficiency and reliability. Issues that affect the efficiency and reliability are important and we need to work with the ITS members to resolve issues as you have much to bring to the table. MACD would like to hear your proposals for change. Harry furthered emphasized the need to contribute - please write, telephone etc. The IESO is prepared to engage you in making the market work better.

## **Item #2: New eTag Procedures**

Bill Wilbur presented the new POD/POR names to be used for transactions across the Ontario/Michigan interface due to the installation of phase shifting transformers.

### **Attendee Question:**

Will there be a transition period? What will happen with outstanding tags that might have the incorrect name?

### **ACTION:**

Bill Wilbur will return with a response at a future ITS meeting.

### **Attendee Question:**

Please provide notification of the change date with a sufficient lead time to allow participants to change their procedures and/or tools (a month is desired).

### **ACTION:**

Once the date for the phase shifter implementation is known, notification of the NERC tagging requirements will be sent with as much lead time as possible.

## **Item #4: Pre-emptive Transaction Cuts by the IESO**

Darren Finkbeiner discussed an example where an MP can not understand why their bid/offer was not scheduled when it looked like it should have (was "in the money"). Where the IESO has reliability concerns in real time and external forces are causing transactions to fail (tagged by reason code TLRE), the IESO will talk to the neighbouring jurisdiction to find out if these transaction failures are expected to continue. If it is clear that they will continue, the IESO may remove transactions from the system, prior to the hour-ahead (final) pre-dispatch run, so that the IESO market system will schedule appropriately, choosing other available bids/offers in the market. Such action will reduce the need to use emergency energy or other control actions for ongoing transaction failures outside the IESO control.

**Attendee Question:**

Can we be assured that if you are going to remove transactions for the few hours that a notification will occur?

**IESO Response:**

If it is for multiple hours the IESO will endeavour to send out an SSR.

**Item #5: MISO Energy Market Opening**

Bill Wilbur detailed MISO market opening. At the request of an attendee, the IESO stated at this time there are no plans to have a protocol between MISO and IESO, similar to protocols between NYISO and IESO.

**Attendee Question:**

Since the MISO market only allows price-taking intertie schedules in real-time, does the IESO think that they will have problems securing imports from MISO?

**IESO Response:**

It is possible that participants' desires to reduce MISO price risk will result in fewer offers into (and out of) the IESO market. This price risk may however have more effect on the offer prices into the IESO market rather than the offer volume.

**Next meeting**

The next meeting of the Intertie Trading Sub-committee will be in March to discuss SEAM issues.