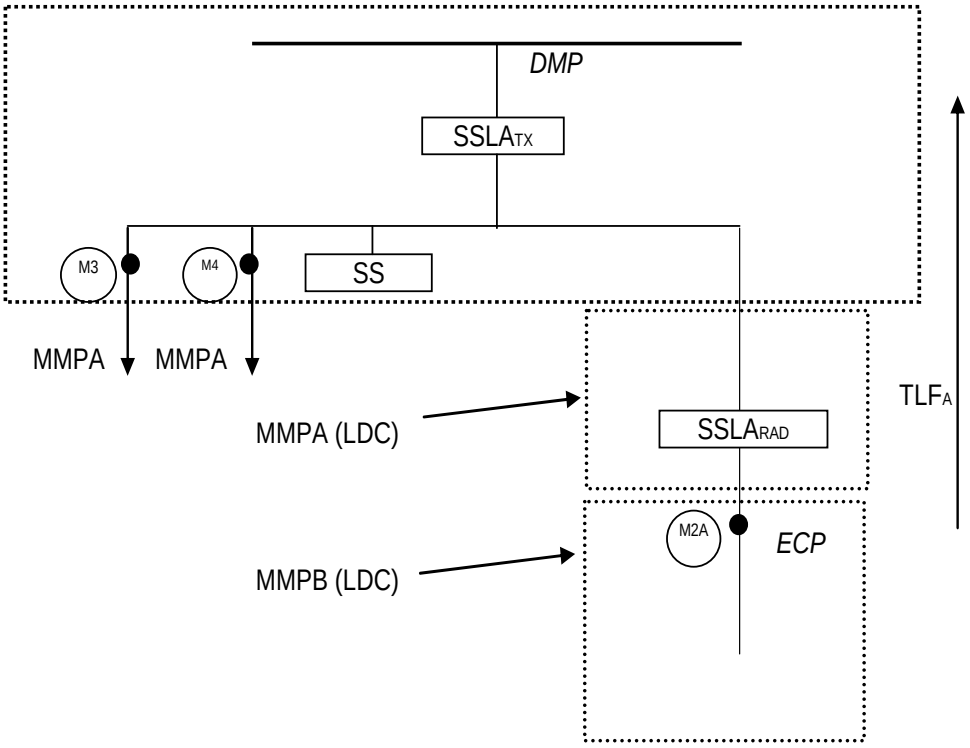
Settlement Principles - Update

- The Settlement Principles were based on the premise that all the energy withdrawn from the grid was accounted for.
- This premise lead to the creation of a balancing DP to absorb any variances e.g. caused by the use of TLFs.
- TLFs are averaged across an LDC and not specific to a single facility – consequently their use means that the settlement for a single facility has a variance from the perfect solution.

Embedded Distributors, Embedded Load (no Taps) + Feeder Meters



A. Balancing DP

Agreement

MMPA is the transmission customer (MMPA owns all the feeders)

MMPB is embedded

Total $_{energy}$ = M3+M4+M2A+ SSLA$_{RAD}$ + SS+SSLA$_{TX}$

MMPB$_{energy}$ = M2A.TLF$_A$

MMPA$_{energy}$ = Total $_{energy}$ - MMPB$_{energy}$

= M3+M4+M2A+ SSLA$_{RAD}$ + SS+SSLA$_{TX}$ - M2A.TLF$_A$

MMPA$_{TT}$ = M3+M4+M2A+ SSLA$_{RAD}$ + SS+SSLA$_{TX}$

B. Summation

MMPA is the transmission customer (MMPA owns all the feeders)

MMPB is embedded

MMPB$_{energy}$ = M2A.TLF$_A$

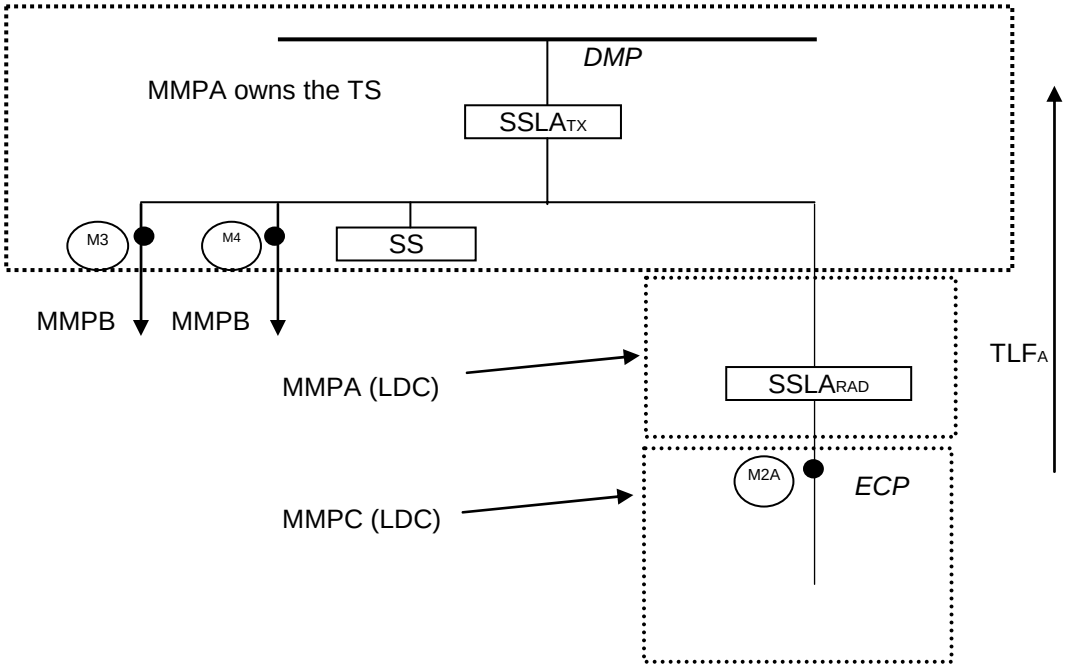
MMPA$_{energy}$ = M3+M4+SSY+SSLAY

MMPA$_{TT}$ = M3+M4+M2A+ SSLA$_{RAD}$ + SS+SSLA$_{TX}$

Difference in total energies

= SSLA$_{RAD}$+SSZ+SSLAZ - M2A.(TLFA-1)

Embedded Distributors, Embedded Load (no Taps) + Feeder Meters



A. Balancing DP

Agreement

MMPA & MMPB are the transmission customers
MMPC is embedded in MMPA
Considering the energy DPs only

Total $_{energy}$ = M3+M4+M2A+ $SSLA_{RAD}$ + SS+$SSLA_{TX}$
$MMPC_{energy}$ = M2A.TLF_A
$MMPB_{energy}$ = M3+M4+SSY+SSLAY
$MMPA_{energy}$ = Total $_{energy}$ - $MMPB_{energy}$ - $MMPC_{energy}$
= M2A.(1-TLFA)+ $SSLA_{RAD}$ + SSZ+$SSLA_Z$

finite value balancing DP

B. Summation

MMPA & MMPB are the transmission customers
MMPC is embedded in MMPA
Considering the energy DPs only

$MMPB_{energy}$ = M2A.TLF_A
$MMPA_{energy}$ = M3+M4+SSY+SSLAY

balancing is part of uplift

Comparison of Methods

- Balancing DP.
  - Advantages
    - Accurate withdrawal from the grid
    - Independent of the accuracy of the TLFs
  - Disadvantages
    - A new energy DP is required on occasion – applies to which MMP?
    - Sometimes the owner of the TS will get paid as an injector
    - The mismatch lands on one MMPs shoulders

Comparison of Methods (cont.)

- Summation Method
  - Advantages
    - Method more closely follows the OEB's thinking
    - No extra DP required, with the complications that makes
    - The mismatch is across the whole market
  - Disadvantages
    - The withdrawal is not perfect at a single facility
    - The method does require that the LDCs do a good job of calculating the TLFs.

Decisions

- Do we drop the balancing DP?
- Do we accept summation?