

Day-Ahead Commitment Process Transaction Checkout and the Day-Ahead Import Failure Charge

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IESO Skymark Board Room



Topics

- Introduction
- Checkout Scenarios
- Settlement Options
- Conclusion

Introduction

- Imports offered into the DACP will receive a constrained schedule in the Pre-dispatch of Record if economic
- Day-ahead imports are eligible for the Day-Ahead Intertie Offer Guarantee (DA IOG) and are also subject to the Day-Ahead Import Failure Charge (DA IFC)
- A day-ahead import must be delivered in real-time in the same dispatch hour scheduled in the day-ahead to be eligible for the DA IOG and to avoid the DA IFC
 - The real-time import must flow at the same intertie (MSP) from the same source (CSP) as offered and scheduled in the Pre-dispatch of Record
- Day-ahead imports will be “checked out” both in the day-ahead and in real-time using the NERC tag identifier provided by the Market Participant
 - Real-time check out requires a fully implemented NERC E-Tag for the transaction to be scheduled in the dispatch hour

Introduction

- There are five potential day-ahead check-out scenarios related to DA import transactions into Ontario
 1. Ontario 100 MW vs. New York 150 MW
 2. Ontario 100 MW vs. New York 100 MW
 3. Ontario 100 MW vs. New York 0 MW
 4. Ontario 100 MW vs. New York does not have match
 5. Ontario 100 MW vs. New York 55 MW
- “New York” as indicated above is used as an indicator of any other jurisdiction adjacent to the IESO

Introduction

- The first four of these scenarios do not appear to create problems for the day-ahead import failure charge
 - These outcomes are described on the following slides
- The fifth scenario creates an issue if the smaller export schedule in the neighbouring jurisdiction limits the ability for the full Ontario DA import schedule to be delivered by a single transaction in real-time
 - As determined by the match of the NERC Tag Identifier the corresponding export may be restricted by the adjacent control area to the lower quantity and ultimately the IESO may constrain the import to the lower quantity during checkout
- This scenario is the basis of DACP Issue No. 4

Check Out Scenario – 1

Ontario 100 MW vs. New York 150 MW

- In this case New York is willing to reduce their export transaction to 100 MW allowing the two transactions to match, or to take no action
- In either case
 - It is appropriate to apply the DA IOG, and the exemption from IOG Offset for implied wheels
 - It is appropriate to apply the day-ahead import failure charge if the day-ahead import does not flow in real-time
 - All aspects are determined in settlement using a 100 MW reference

Check Out Scenario – 1

Ontario 100 MW vs. MISO 150 MW

- In this case it is possible that the MISO will be prepared to maintain the 150 MW transaction and tag from the day-ahead market and allow for the Ontario transaction to adjust its offer in real-time to get the 150 MW to flow.
- MISO allows the marketers to adjust the market adjusted value upward but no greater than the original bid value
 - This is a protocol that is being investigated by IESO and MISO
 - If the market participant does nothing the 100 MW transaction would still flow in real time

Check Out Scenario – 2

Ontario 100 MW vs. New York 100 MW

- In this case the transactions match
 - Applying the DA IOG and the exemption from IOG Offset for implied wheels is appropriate
 - Applying the day-ahead transaction failure charge if the day-ahead import does not flow in real-time is appropriate
 - All aspects are determined in the settlements using a 100 MW reference

Check Out Scenarios – 3 and 4

Ontario 100 MW vs. New York 0 MW or No Match

- In these cases the 100 MW scheduled in Ontario does not check-out in the day-ahead in the neighbouring jurisdiction either because the transaction was submitted but didn't clear or was not submitted
 - The DA IOG and the DA IFC will be settled as described in the rules as the market participant has the capability to schedule 100 MW in real-time both at that specific MSP/CSP location and in the adjacent jurisdiction. It can then pass real-time check-out in both jurisdictions and fulfill the day-ahead obligation to flow in real-time
 - Without a day-ahead financial obligation the import is subject to the IOG Offset for implied wheels
 - Failure to fulfill the obligation to flow in real-time, excepting bona fide reasons for failure, the import would be subject to the DA IFC

Check Out Scenario – 5

Ontario 100 MW vs. New York 55 MW

- In this case New York will limit the transaction in question to 55 MW. If this occurs it will be impossible for the Ontario import transaction to schedule more than 55 MW in real-time at that MSP/CSP location under the same NERC E-Tag
 - A trader may be able to schedule a separate 45 MW transaction at a different MSP/CSP location in real-time but it will have no tie to the day-ahead import transaction and therefore offer limited protection
 - The import will receive 55 MW of day-ahead IOG
 - The import is exempt from the IOG offset for implied wheels
 - Without any other proposal the import will also face a 45 MW day-ahead import failure charge for a 45 MW failure due to constraints applied during transaction checkout.

What options are there to mitigate the impact of the checkout?

Settlement Options

Ontario 100 MW vs. New York 55 MW

Option 1: Forgive the Day-Ahead Import Failure Charge for the entire transaction in cases where the transaction is partially checked-out

- Given that the transaction has a financial position there is a high probability that the remaining 55 MW will be delivered in real-time and the forgiveness of the penalty will be inconsequential
- The transaction is rewarded for the MW that it has successfully scheduled and delivered day-ahead and real-time
- The failure charge for the entire 100 MW is forgiven regardless of whether the MWs are actually delivered in real-time
- There is a concern that transactions may intentionally schedule less in the neighboring jurisdiction in order to receive the forgiveness on the entire day-ahead transaction

Settlement Options

Ontario 100 MW vs. New York 55 MW

Option 1: Forgive the Day-Ahead Import Failure Charge for the entire transaction in cases where the transaction is partially checked-out

- Surveillance should be able to address this in some form as the only transactions that this approach should apply to are marginal transactions and they should be small subset of the total transactions scheduled
- This option has minimal rules and implementation consequences as the partial transaction checkout can be added to the list of bona fide reasons for day-ahead transaction failures and the rules associated with the settlement of the day-ahead IOG, implied wheel offset and day-ahead transaction failure charge can be left unchanged

Settlement Options

Ontario 100 MW vs. New York 55 MW

Option 2: Forgive the Day-Ahead Import Failure Charge by modifying the Pre-Dispatch of Record scheduled MW

- Reducing the DA import schedule eliminates the IOG, and any potential day-ahead failure charge for the 45 MW that failed the day-ahead checkout
- It maintains the IOG, exemption from the IOG offset for implied wheels, and the potential for a day-ahead import failure charge for the remaining 55 MW
- This provides for a similar outcome to option 1, the difference being that it maintains the potential for a day-ahead import failure charge on the remaining 55 MW where option 1 forgives all day-ahead import failure charges for the entire 100 MW transaction

Settlement Options

Ontario 100 MW vs. New York 55 MW

Option 2: Forgive the Day-Ahead Import Failure Charge by modifying the Pre-Dispatch of Record scheduled MW

- There would be both rules and implementation implications associated with this option – modifying DSO schedules is an entirely new type of solution
- The gaming concern that transactions may intentionally schedule less in the neighboring jurisdiction in order to receive the forgiveness on the residual portion of day-ahead transaction remains in this option. However only the unscheduled portion of the transaction is getting protection from the day-ahead import failure charge.

Settlement Options

Ontario 100 MW vs. New York 55 MW

Option 3: Allow other real-time transactions delivered at the same interface to offset the day-ahead import failure charge

- If the importer successfully schedules at least 45 MW additional import transactions in RT and flows the 55 MW day-ahead transaction in RT all at the same interface the following settlements result
 - RT energy payment for $(55 + 45) = 100$ MW
 - Higher of DA IOG or RT IOG for 55 MW
 - RT IOG for 45 MW
 - No transaction failure charge
- Leaves the partially scheduled transaction worse off than the transaction that is not scheduled at all in the other jurisdiction

Settlement Options

Ontario 100 MW vs. New York 55 MW

Option 3: Allow other real-time transactions delivered at the same interface to offset the day-ahead import failure charge

- Removes the failure charge if the transaction is scheduled and delivered but the participant must still face either the failure charge risk or the potential to receive only RT IOG or their RT offer as compensation.
- Requires functionality to rack and stack DA and RT transactions so that it can be determined whether a specific market participant had met all its DA obligations
- Would this functionality also exist for transactions not scheduled at all in the other jurisdiction? – these transactions would then have two outs.
- Note that the same racking and stacking could also be used to extend DA IOG protection in circumstances where market participants meet DA scheduled transactions with multiple real time transactions

Settlement Options

Ontario 100 MW vs. New York 55 MW

Option 4: Make no change to the day-ahead import failure charge determination

- New York's DAM will in most instances be completed in sufficient time to allow the Ontario import offers to be modified to reflect any partially scheduled transactions
- Unlike NYISO, MISO DAM schedules can be adjusted upwards by the marketer up to the MW level of the transmission reservation
- The scenario does not apply to TransEnergie as there is no DAM in Quebec

Conclusion

The IESO's current position is to choose Option 4:

- Option 1 provides too much potential for transactions to receive protection in circumstances where they likely should not. It gives partially scheduled transactions freedom to not meet their obligations in real time.
- Option 2 has significant rules and implementation barriers to overcome.
- Option 3 exposes the partially scheduled transaction to risks it cannot fully manage, that are worse than the risks faced by transactions with no schedule in the neighboring jurisdiction. The IESO does not believe it can implement this solution either through an automated process or manual process in time for the projected in-service date

Conclusion

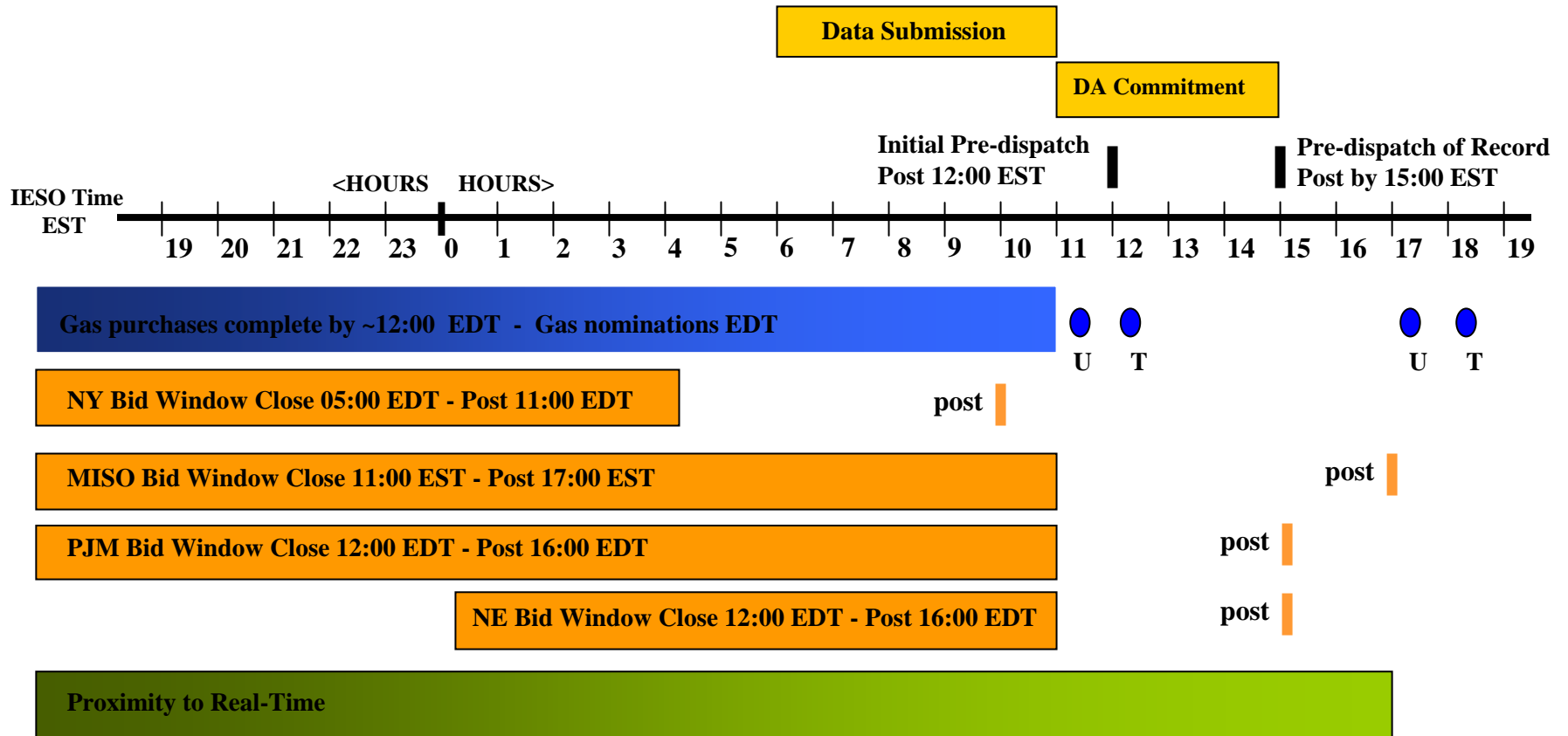
The IESO's current position is to choose Option 4:

- This scenario is unlikely to be a problem in New York because the New York DAM schedules are known in advance of the close of the offer/bid window for DACP
- Once the MISO market clears, E-tags are automatically adjusted by MISO market tools, if required (in the downward direction only) using the “market adjust” on the E-tag. MISO allows the marketers to “PSE” adjust any reduced value upward to (but no greater than) the original MW value
- TransEnergie does not operate a DAM and will use the results from the IESO's Pre-Dispatch of Record as input to their scheduling program in the day-ahead.

Supplemental Material Comparative Timelines



Day-Ahead Commitment Process Timeline Summer

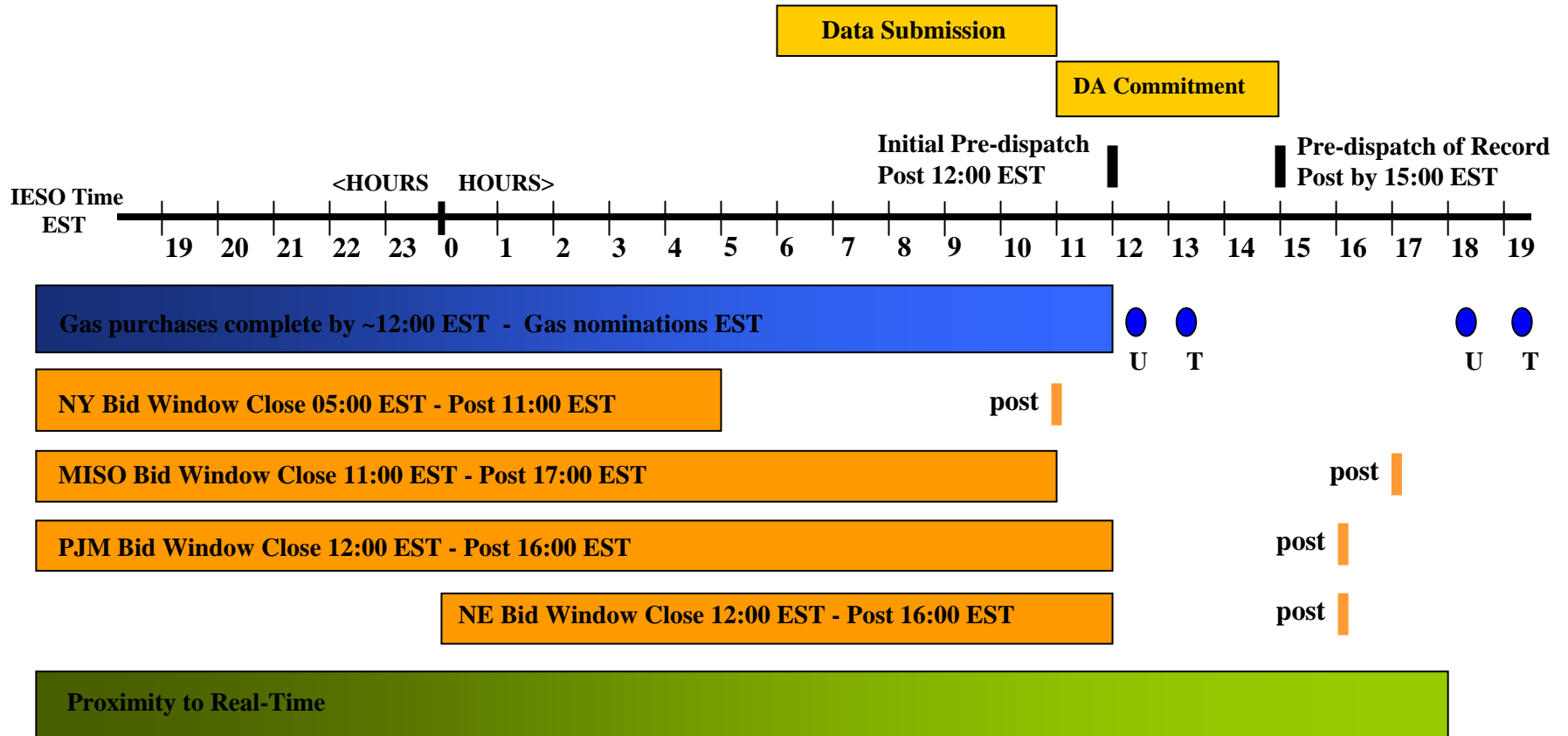


● Union and TransCanada nomination windows close

▬ All Post times are “no later than” times

Day-Ahead Commitment Process Timeline

Winter



● Union and TransCanada nomination windows close

▬ All Post times are “no later than” times