

Minutes of Meeting
March 2, 2007, 9:00 – 2:00
Skymark

Attendees

Company	Name
Ontario Power Generation	Bell, Brian
Silverhill Limited	Radan, George
Direct Energy Marketing Limited	Lung, Gene
Hydro Quebec	Bellavance, Erik
DTE Energy	Mueth, Mark
NorthPoint Energy	Trebel, A
NorthPoint Energy	Olfort, Chris
Manitoba Hydro	Chung, Lam
Via Teleconferencing	
Coral Energy	Kerr, Paul
Powerex Corporation	McCuaig, Paul
EPCOR Merchant & Capital	Riaz, Jessa
HQ Energy Services	Ecelbarger, Carl
Ontario Power Generation	Gell, Richard

IESO
Robitaille, Dave
Springgay, Guy
Felli, Ugo
Finkbeiner, Darren
Bull, Tabatha
Short, David

Agenda Item #2: SAC Comments

Darren Finkbeiner (IESO) spoke in response to comments at a recent Stakeholder Advisory Committee concerning dissatisfaction with the Intertie Jurisdictional Trading Standing Committee (IJTSC). Darren clarified the following:

- The IJTSC is a group for traders.
- The IESO solicits information for discussion through the draft Agenda that is sent approximately 1 month prior to the meeting with the expectation that any additional issues will be brought forward. In addition, the draft minutes from the previous meeting are posted for comment. Any concerns regarding the current action items or additional business should be communicated through this process or at any time between meetings through the Chairperson.

Darren asked the group in attendance if there were any items that they felt were outstanding. No items were identified. The IESO believes that we are working on all items and ask that all IJTSC members please let us know if any items are outstanding.

A further discussion was held around the Stakeholder Engagement (SE) process. It was explained that items that have their own SE process will not be stakeholdered at the IJTSC. All parties are welcome to participate and any concerns market participants have should be brought to the stakeholder forum for those items.

A standing agenda item will be added to the IJTSC meetings to update on those SE items that affect the trading community.

Action: The IESO will provide a prioritized list of current IJTSC initiatives prior to the next meeting with sufficient time for participants to respond.

Action: The IJTSC members are asked to respond with any items which are not listed and with any comments on the prioritization prior to the next meeting.

A presentation was made by Guy Springgay on the current SE processes related to the IJTSC that are ongoing and upcoming. <http://www.ieso.ca/imowebpub/200703/intertieTrading-20070302-SE-traders.pdf>

Member Questions, Comments and Discussion

(1) A market participant asked that the IESO consider the rationale for having so many small SE processes and the resulting time commitment required from market participants.

IESO Response: Stakeholder Engagement agreed to consider the number of SEs ongoing and to separate SE processes which are linked to one another.

- (2) SE- 37 - OR Initiatives - The main forum for OR initiatives is the Technical Panel. Participants are asked to inform their TP member with any concerns.
- (3) Any OR initiatives that impact price are being discussed at the Market Pricing Working Group.
- (4) Does the MSP speak to SAR and RRS in a similar fashion?

IESO Response: IESO will ensure that this is addressed in the Stakeholder process.

- (5) SE-24 – Report Site Transition - Changes are being made so that market participants can login to a report site with a user login and password instead of acquiring a digital certificate. Currently the reports exist in two locations, but are being moved over in progression. Participants can contact Market Entry for a login and password. All information regarding reports is posted on the web at http://www.ieso.ca/imoweb/consult/consult_se24.asp
- (6) SE 23 – Prudential Review – A meeting is scheduled for March 7, 2007. IESO response to stakeholder feedback was posted March 1, 2007. All information can be found at http://www.ieso.ca/imoweb/consult/consult_se23.asp
- (7) SE 21 – Day Ahead Market Evolution- Comments are still being accepted. Ken Kozlik and Bill Wilbur are meeting with market participants if requested. An open stakeholder forum is scheduled for April 11, 2007. http://www.ieso.ca/imoweb/consult/consult_se21.asp
- (8) The IESO was asked to encourage the OPA to participate in the open forum to ensure that the Clean Energy Standard Offer program is considered.

IESO Response: The IESO and the OPA are working together on this issue.

- (9) The IESO is working on IPSP with respect to the DAM, if the IPSP is delayed will DAM be delayed?

IESO Response: The IESO will follow up with Market Evolution

- (10) SE 34 – Criteria for Determining Financial Penalties – a graduated set of penalties with respect to reliability. An email was sent Thursday February 22nd, soliciting member to participate. Information is available at http://www.ieso.ca/imoweb/consult/consult_se34.asp

Agenda Item #3: Approval and Review of Minutes and Actions from Previous Meeting

The minutes of December 6, 2006 were accepted as written. Minutes of meetings will be posted on the web and a notification email will be sent at the time of posting. Follow up was provided on the following items:

- (a) Update on Publication of NISL and Shadow prices on interties

Tabatha Bull (IESO) provided the following update:

Nodal prices for external resources will be added to the existing LMP shadow price reports PM_SHADOW_PRICES from PDC found at:
<ftp://aftp.ieso.ca/pub/reports/PUB/PredispConsShadowPrice/>

All sources and sinks will be represented by one node. A new report will be created to publish Net Interchange Scheduling Limit Shadow Prices and Intertie Congestion Price for both PDU and PDC for each intertie. The current timeline for these reports to be available is Fall 2007.

Member Questions, Comments and Discussion

- (1) A market participant asked if the shadow prices could be published in an earlier time frame if this change was easier.

The IESO responded that this was proceeding as one business case and would be done together.

- (2) Why is the net schedule posted an hour after the actual hour, when other ISOs publish 30 minutes prior to the hour?

The IESO publishes an adequacy report which publishes up to 36 hours out. This report can be found at www.ieso.ca/imoweb/marketdata/adequacy.asp

- (3) The IESO noted that the ATC posted by Manitoba and Quebec may not be equal to the ATC in Ontario as we have not yet checked out.

- (4) Currently the Adequacy Report has imports by Intertie and exports by East and West

Action: The IESO will look into changing the report so that exports are shown by Intertie.

(b) Update on the Future of Financially Binding Status

Darren Finkbeiner (IESO) provided the following update on FBS.

FBS is to continue with MISO past June 2007. Market Evolution will look at opening FBS to all interfaces or removing FBS altogether and incorporating this into whichever version of DAM is agreed upon. When comments are solicited on the DAM, participants are encouraged to submit FBS related questions.

Len Kula (IESO) provided the following update on FBS with NYISO:

The IESO has moved forward on the premise of FBS continuing on NY and MISO. NYISO was unwilling to provide information on their market participants. The alternate proposal is to have IESO collect market participant data from the market participants and to use that information once it has been verified by NYISO. The IESO IT department is working with NYISO's IT department to facilitate the transfer of this data.

(c) Update on MISO Protocol Proposal

The question from the previous meeting was:

If we had a participant that had 100 MW of firm transmission service from MISO and was selected for 50 MW of energy in the Ontario market at the 2 hour out pre-dispatch, we would market adjust the tag to 50 MW at T-90 minutes and the 50 MW of transmission service would be released in MISO. If the participant was then economic at one hour out (between T-90 and T-30) for the extra 50 MW would that participant then have to repurchase the service?

MISO has told the IESO that the service that was originally purchased would belong to the original purchaser until real time. The MP that purchased the released transmission would take a risk that they would be bumped out if the original owner wanted it back.

After 90 minutes you could only bump someone if you are more economic – and therefore have an energy schedule.

In the meantime ramp and transmission failures are still bonafide reasons for transaction failure. MISO tells us that this is ramp and it is noted on the tag.

Member Questions, Comments and Discussion

- (1) If two participants both offer the same who will then get the dispatch if one has firm and one non-firm transmission?

IESO Response: They will each receive a pro-rated dispatch. The IESO does not take into account the type of transmission the participant holds, because we are an economic market.

- (2) When exporting from MISO to ON and with reserved ramp, if the dispatch does not work with the ramp reservation the entire transaction is curtailed – could something be done the same way with releasing ramp as well as transmission?

IESO Response: We are currently looking at transmission only, but could look into releasing ramp in the future.

- (3) Will this have any impact on the tariff sheets on the MISO side?

IESO Response: It is understood that it will not impact the tariff sheets, but we will follow up with MISO. We understand that the transmission release purchase is in place – by the IESO rejecting the tag two hours out we are just bumping it back an hour.

Action: The IESO is to provide some further information with examples on the MISO proposal following a further meeting on March 8, 2007 with MISO.

Action: The IESO is to follow up with MISO on the impact of this protocol on the MISO tariff sheets.

(d) One Hour Bid Window Analysis

Dave Robitaille (IESO) gave the following presentation:

<http://www.ieso.ca/imowebpub/200702/intertieTrading-20070302-IJT-pres.pdf>

A discussion ensued with respect to transaction failure charges and the validity of them. It was recommended that the group develop ideas to how 2 markets can work together and still have an economic decision without failures.

Action: Members to provide their opinions and ideas on a one-hour bid window.

Action: The IESO will invite Market Surveillance to the next IJTSC meeting to discuss failure charges.

(e) Hydro One Export Tariff Rate Case

Dave Short (IESO) gave a brief report on the Hydro One Export Tariff Rate Case.

The application review is reaching the mid-point process. Hydro One filed an evidence update on February 23rd. The next steps in the process include the intervener and settlement conferences in March, followed by the oral hearing in mid-April.

Hydro One submitted three options; status quo (\$1/MWh), network equivalent (\$5/MWh) and elimination. Hydro One also asked the Board to clarify which Ontario entity should be responsible for future reciprocal ETS elimination negotiations.

The tariff would apply to 2007 and 2008.

Of the three options submitted by Hydro One, IESO supports elimination of the export fee to promote the efficient operation of markets.

IESO has had discussions with NYISO and MISO predominately. NYISO was mandated by FERC to look at elimination and they are quite interested.

Outside of their application, Hydro One staff has stated that the network equivalent is the most equitable approach for Ontario consumers.

A reciprocal charge at each seam was submitted as a possibility by OEB staff. For example if HQ charges \$13, Ontario would charge \$13.

Hydro One was required in the last revenue application (RP-1999 -0044) “to monitor and report to the Board at [Hydro One’s] next main rates case on the function of the export and wheel-through tariff market and developments in interconnected jurisdiction and whether the interim tariff should be reviewed.” Hydro One only provided an ETS comparison with other jurisdictions. The IESO believes Hydro has not fulfilled their obligation on whether the rate should be reviewed. Additional analysis on market operations should be provided.

Hydro One has looked at establishing a variance deficiency account issue for 2007 to account between today’s rate and the future approved rate that the Board may approve for transmission service.

Member Questions, Comments and Discussion

- (1) IESO has said that Hydro One has not demonstrated the affect of this on the market. Will the IESO be communicating the impacts after an internal study?

IESO Response: Earlier discussions with Hydro One were that Hydro One would look at the market impact and the IESO is continuing with that response.

- (2) If a tie line was down would that affect the rate?

IESO Response: IESO is supportive of performance based regulation. Hydro One has suggested this for the 2011 transmission application. PBR would have to be an OEB initiative as it was for the LDCs in the distribution applications. As such, the Board could make PBR happen in 2009/2010.

- (3) When will this be finalized?

Expect that this will be settled this summer.

- (4) Will there be a retroactive ETS fee?

Post Meeting Response: Hydro One is only seeking to recover deficiencies from loads through transmission charges. ETS deficiencies were not mentioned.

Agenda Item #4: IESO Update on the Penalty Factors

Tabatha Bull (IESO) gave a presentation on updating the penalty factors currently used in the Dispatch Scheduling Algorithm. This presentation can be found at <http://www.ieso.ca/imowebpub/200702/intertieTrading-20070302-penalty-factors.pdf>

Member Questions, Comments and Discussion

- (1) On what basis are the penalty factors calculated? What is the starting point?

Post Meeting Response: The current penalty factors were calculated based on an average of all expected flows on the system at market opening.

- (2) New static penalty factors will be calculated and provided to market participants by April 1st, 2007 to be in service May 1, 2007.

Post Meeting Response: The new penalty factors will be based on the average flows across the IESO grid as seen in spring 2006 and the most recent months of 2007.

- (3) Where will the new penalty factors be provided?

An email will be sent to all market participants with the information regarding obtaining their specific penalty factor.

All new intertie penalty factors will be provided to all market participants and will be published

Agenda Item #5: Exporting Reserve Update

Darren Finkbeiner (IESO) gave a brief update on the Exporting of Operating Reserve. This is one of the initiatives in SE-37.

Agenda Item #6: Seams Agreements and Discussion

Ugo Felli (IESO) gave a presentation on the Congestion Management Process and Market to Market Coordination between IESO/PJM/NYISO/MISO (4 Party Seams Agreement). The presentation can be found at <http://www.ieso.ca/imowebpub/200702/intertieTrading-20070302-4party-CMP.pdf>

Member Questions, Comments and Discussion

- (1) This group is in it's infancy.
- (2) All system operators would continue to use TLR at the interfaces.
- (3) Stakeholdering will occur once an agreement is arrived at.
- (4) The IESO is evaluating the need for Ontario.

Agenda Item #7: Transmission Rights Update

The Transmission Rights Market Presentation was discussed briefly with a few highlights, as many of the attendees had heard the same presentation at the MPWG.

<http://www.ieso.ca/imowebpub/200702/intertieTrading-20070302-TR.pdf>

Agenda Item #8: Proposed Meeting Schedule

A proposed meeting schedule was provided with the meeting package.

Member Questions, Comments and Discussion

- (1) A market participant noted that while they appreciate that the meetings are coordinated with the MPWG meetings they would ask that the meetings do not occur on a Friday or Monday. Could the meetings listed on Fridays be moved to Wednesdays?

Based on the member comments at the meeting a revised proposal is attached to these minutes.

Action: All members are asked to provide comment on the proposed meeting schedule.

Agenda Item #9: Additional Business

OPG has brought up an instance where a large internal generator was lost, subsequently an export was failed. OPG received an extremely high penalty based on the formula that is used for failure charges, in a case where a failed export would have benefited the market. Another market participant concurred that there are instances when the real time price is lower than the predispach price and the trader is still penalized.

Action: The IESO to investigate this case in more detail.