

Notes from the 29th Meeting of the Market Pricing Working Group

Friday July 7, 2006 8:30 – 12:30

DRAFT

Attendees:

<u>Name</u>	<u>Company</u>	<u>Name</u>	<u>Company</u>
Abdelnour, Francois	Ivaco Rolling Mills	Paton, Jim (Teleconference)	TransAlta
Alpajaro, Peter	Bruce Power	Wu, Lawrence	Total Energy Advice & Management
Bell, Brian	Ontario Power Generation		
Benner, Ryan	Dofasco		
Bettle, Peter	Brascan Power	Barr, Anne	IESO
Butters, Dave	APPPrO	Finkbeiner, Darren	IESO
Cary, Rob	Cardinal Power	Katsuras, George	IESO
Clark, Wayne	AMPCO	Loughren, Chris	IESO
Duzy, Margaret	TransCanada Energy	Maria, Gamal	IESO
Gregg, Laurie	Falconbridge	Morris, Elizabeth	IESO
Heaton, Randy	Ontario Power Generation	Nia, Sharare	IESO
Kerr, Paul	Coral Energy Canada	Rivard, Brian	IESO
McCuaig, Paul	Powerex	Wilbur, Bill	IESO

Item #3: APPrO Presentation on Proposed Supplemental Ramp Payment

Randy Heaton presented the results of a report written by LECG, sponsored by APPrO, entitled *Adopting a Ramp Charge to Improve Performance of the Ontario Market*. A summary of the results from the report were presented.

Member Questions and Comments on the APPrO report

Can you explain hydro efficiency?

Does the efficiency change on a plant-by-plant basis?

How many units are in the Brookfield graph?

Response: Data in the graph represents 8 units.

Are there changes to the way Brookfield is operating their units post market opening to capitalize on market opportunities contributing to their efficiency loss?

Reviewing OPG data some units are omitted? It looks like the data is being played with. A segment in the paper explaining data analysis would have solved confusions.

Response: Some of the units not included are small hydro (<5 MW),

Have there been portfolio management changes with the market that have been driving how these units have been operated by the resource owner?

i.e. Running the plant at higher output and therefore lower efficiency to take advantage of a high price period.

Isn't there some component of ramp that is a Short-Run Marginal Cost? If it is a legitimate cost wouldn't you include the costs in the offer so that the algorithm can do its job minimizing that cost?

Response: Can't anticipate ramp enough to capture it in costs.

If there is no differential in how it is paid and there is a cost there is no incentive to provide the service.

Start-up costs are similar to ramp costs. Everyone knows that start-up costs have risks and mechanisms have been developed to manage those risks (i.e. SGOL).

Unnecessary or erratic ramping is the one that needs to be addressed, not the expected ramp that can be attributed to offer strategy/market drivers.

What should the discount be on the true ramping cost for the ramp that you're going to be doing anyway to deliver product to market?

Response: No discount. Ramp costs are based on real tangible stuff, not on the opportunity costs due to increased EFOR.

Next steps on this issue – A revised Stakeholder Engagement plan (SE-17) was handed out and it identifies the following significant dates:

August 8 – deadline for stakeholder written submissions on the 12 times ramp rate issue.

August 15 – publication date for the IESO management recommendation on this issue.

September 5 – Stakeholder Advisory Committee meeting

September 22 – IESO Board meeting

Members expressed a desire to have the IESO publish its recommendation much sooner than August 15, so that they can provide their feedback on it via written submissions. This request will be considered.

Item #4: Intertie Transactions and the Ontario Market Clearing Price

Chris Loughren (IESO) gave a presentation on the IESO's current opinion on the role of Intertie transactions and their role in setting the Ontario market clearing price. The generator community expressed their strong displeasure with the IESO opinion that engaging in this discussion should be a component of the upcoming DAM work. They believed that their approval of DACP was conditional on an IESO management-generator community agreement that considered work and

effort would be put towards investigating the ability of intertie transactions setting the real time Ontario market clearing price. The generator community feels that the IESO's current position that further work on Intertie transactions setting the real time market clearing price is not warranted is a violation of that agreement. The IESO agreed to consider the issue further and respond at the next meeting.

The presentation continued with a discussion of the merits of using average demand forecasts in scheduling intertie transactions and several implementation options were proposed and briefly discussed.

Item #5: Future of the Market Pricing Working Group

The presentation was omitted in place of a discussion with the agreement of the members as the presentation has been available on the MPWG webpage since Wednesday, May 31. In that presentation the IESO proposed that the MPWG should be disbanded and replaced with a more issue-based stakeholdering approach.

The members unanimously disagreed with the IESO opinion on the future role of the MPWG as well as stating that the MPWG is an important forum for working level input to important market policies and mechanisms. The working level input and coordination is essential to ensure that the constituents have an opportunity to effectively educate their respective SAC members.

The member's comments were captured and are included below.

Member Comments on the Future of the MPWG:

Peter Alpajaro (Bruce Power)

Does not feel that the MPWG should disband. This group often raises issues that could then be turned over to another forum.

States that this is the most effective stakeholder group created thus far as it provides a needed forum to raise and resolve general issues with the market.

Randy Heaton (OPG)

Supports Peter Alpajaro

Still need an opportunity to have a broad fulsome conversation about a broad suit of issues. SAC is too high level. Just because this group is ineffective, doesn't mean we would want it discontinued. We should change the way we address issues in this forum. Have this group determine the two sides of the issue and then pass it on for decision making.

Wayne Clarke (AMPCO)

Agrees with Randy on the state of the MPWG
SAC members need the input that members of the MPWG can provide. Members of the MPWG can provide working input and context to the ensuing debate so that the SAC members are properly informed. The SAC is higher level and you need the working group level to generate issues and to get a view of both sides of the argument to properly educate SAC members before the meeting.

Brian Bell (OPG)

This group used to investigate and discuss anomalous market events. This group should continue to do these investigation and periodic reviews of market initiatives. Investigating these events helps identify issues that the group should develop.
Need a more methodological approach to moving issues through the group faster, perhaps to SE-plans (Stakeholder Engagement).

Paul Kerr (Coral Energy Canada)

Don't want to see the group disband, would like it to continue to work on things and have the issues passed to a SE plan.
Like the direction of spinning off certain issues into SE.
We identified issues but what we haven't done is actually finish anything. Other issues would come up and change priorities and we would address those without a resolution of previous issues. Need a more methodological process for raising and completing issues.