

Market Pricing Working Group Meeting #54



Notes of Meeting – DRAFT

Date held: February 3, 2009	Time held: 9:00 a.m. to 12:30 p.m.	Location held: Toronto Congress Centre Dixon Rd., Toronto, Ontario
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Invited/Attended:	Company name:	Attendance Status: (A)ttended; (R)egrets; (S)ubstitute
Bell, Brian	Ontario Power Generation	A
Bellevance, Erik	Hydro Quebec Energy Markets	A
Coulbeck, Rob	RBC	A
Covelli, Lucille	OPG	a
Greenberg, Jessica	IESO	A
Harwood, Shane	Sithe	A (teleconference)
Hassan, Fred	ERA/PWU	A
Hunt, Robert	Hunt Management Services	A
He, Andy	IESO	A
Kerr, Paul	Shell Energy	A (teleconference)
Khoo, Derrick	IESO	A
Kokotsis, Ella	IESO	A
Konzak, Sonya	Ministry of Energy	A
Kuntz, Margaret	TransCanada Energy	A
Loughren, Chris	Bruce Power	A
MacKenzie, John	IESO	A
Maria, Gamal	IESO	A
Matsugu, Darren	IESO	A
Mei, Sam	AMPCO	a
Olmstead, Derek	IESO	A
Peterson, David	Ontario Power Generation	A
Rivard, Brian (chair)	IESO	A
Singh, Diljeet	IESO	A
Taylor, Janene	EPCOR	A
Wu, Lawrence	TEAM Ltd.	A
Scribe: John MacKenzie, IESO. Please report any corrections, additions or deletions to these notes to the following e-mail address: iesomarketpricingworkinggroup@ieso.ca		

All meeting material is available on the IESO web site at:
http://www.ieso.ca/imoweb/consult/mep_mp.asp

Item 1 - Administration

a) Review of Agenda

No changes to the agenda

b) Review of Notes from MPWG Meeting #53, December 2nd, 2008

Refer to document published on IESO web site at the following link:

http://www.ieso.ca/imoweb/pubs/consult/mep2/MP_WG-20090203-Notes-M53-DRAFT.pdf

Members Questions, Comments and Discussion

- A generator requested that the IESO take an action item regarding its review of commissioning generation reporting as discussed under agenda item 5 of the December meeting. The IESO noted that starting in mid-March 2009 the generation output reporting for commissioning generation units would be changed such that the reported capacity of these units would be equal to their actual capability. The IESO agreed to taking the action item (AI 53-3) and reporting back to the MPWG at its meeting in April 2009 regarding the mid-March change.
- A generator requested information from the IESO regarding the publication of a stakeholder engagement (SE) plan for surplus baseload generation as discussed under agenda item 9(b) of the December meeting. The IESO advised that it was intending to expand the scope of the existing SE-57 Embedded Generation to include 'dispatch priority', which would include surplus baseload generation. A meeting with stakeholders is scheduled for February 10th, 2009 to discuss this. The generator expressed disappointment that (i) addressing surplus baseload generation was not a stand alone initiative as the issue is very important and (ii) the IESO was not transparent about its intention to expand the scope of SE-57 to include surplus baseload generation.

Next Steps

IESO to include AI 53-3 in the December meeting notes and post the notes as final.

c) Review of Action Items

John MacKenzie (IESO) presented the IESO recommendation to close action item 44-2. Refer to document published on IESO web site at the following link:

http://www.ieso.ca/imoweb/pubs/consult/mep2/MP_WG-20090203-Action_Items.pdf

Members Questions, Comments and Discussion

None.

Next Steps

IESO to close action item 44-2.

d) Updates

Brian Rivard (IESO) provided updates on the following issues and initiatives:

- Issue #4 - Ramp Rate in Real-Time Market Schedule:
The IESO expects to present, at the April MPWG meeting, econometric analysis of the impact of the change to 3x ramp rate in the real-time market schedule.
- Issue #9 - Peak versus Average Demand forecast in Pre-Dispatch:
IESO management recommended to the IESO Board that the change to average demand forecast not be implemented at this time due to the current economic times. The IESO Board accepted the management recommendation.

Members Questions, Comments and Discussion

There was considerable discussion of the IESO decision regarding Issue #9.

1. Generators and intertie traders expressed extreme disappointment with the decision. They suggested that this decision called into question the validity and usefulness of conducting detailed economic efficiency analysis and application of decision criteria if IESO decisions were being made on less transparent “public policy” criteria such as the prevailing economic conditions. They questioned whether the IESO should consider “public policy” in its decision making process. The IESO appears to putting up barriers to change e.g. this ‘no’ decision, always calling for more analysis rather than making decisions.
2. The implications of this decision on future analysis and decisions needed to be understood. The IESO should identify early on in the investigation of an issue what amount of economic efficiency gains was necessary to outweigh potential consumer impacts and other ‘public policy’ considerations.
3. A generator requested that the IESO re-visit its decision such that use of average demand forecast can be implemented no later than the in-service of the Enhanced Day-Ahead Commitment initiative. Interim six-month reviews were also suggested.
4. The IESO confirmed that the qualitative benefits of moving to an average demand forecast (e.g. reducing instances of surplus baseload generation) were identified to the IESO decision makers.
5. With respect to the input of the Stakeholder Advisory Committee (SAC), a generator suggested that there was no clear or unanimous advice. The IESO re-iterated its view that the SAC generally found all the decision criteria measures informative and that the IESO should be addressing market issues of greater impact than peak versus average.
6. The IESO re-iterated that the decisions turned on the existing economic conditions.

Next Steps

IESO staff to bring the above stakeholder messages to its senior management.

Item 2: Issue #13: Control Action Operating Reserve

Diljeet Singh (IESO) presented analysis results regarding the Control Action Operating Reserve (CAOR) issue, specifically:

- The divergence between pre-dispatch and real-time prices before and after CAOR was removed from pre-dispatch in September 2008;
- New York ISO operating reserve demand curves and prices;
- Ontario 10-minute non-synchronized operating reserve offer curves.

Refer to documents published on IESO web site at the following links:

http://www.ieso.ca/imoweb/pubs/consult/mep2/MP_WG-20090203-Presentation-Issue13.pdf

Members Questions, Comments and Discussion

1. A generator requested that the IESO assess the following aspects of this issue:
 - The impact of the removal of CAOR from pre-dispatch on the scheduling of peaking resources in the pre-dispatch and real-time constrained sequences;
 - 30-minute operating reserve offer curves.
2. An intertie trader stated that CAOR should be priced at the true societal value or cost. The IESO agreed but noted that determining the societal value or cost of CAOR is very difficult. There are many different control actions (voltage reduction, curtailing exports, operating to emergency security limits) and each has potentially a different value or cost on different market participants.
3. A generator suggested that because of the joint optimization of energy and operating reserve, the CAOR offers should be structured so that the operating reserve and energy components of CAOR are on a level playing field with market offers i.e. the societal value/cost should be in both the operating reserve and energy offer prices.
4. For the April meeting, the IESO expects to present results of further analysis according to the work plan.

Item 7: Issue #7: Intertie Transaction Setting Real-Time Price

John MacKenzie (IESO) made a presentation on the possible re-definition of this issue. Refer to documents published on IESO web site at the following links:

http://www.ieso.ca/imoweb/pubs/consult/mep2/MP_WG-20090203-Memo-Issue7.pdf

http://www.ieso.ca/imoweb/pubs/consult/mep2/MP_WG-20090203-Presentation-Issue7.pdf

Members Questions, Comments and Discussion

1. There was general confusion regarding the ability of ramp-constrained generation units to set the real-time market clearing price. The IESO undertook to clarify the situation for the next MPWG meeting.
2. A generator re-iterated the position expressed at the last MPWG meeting that the off-coal programs will increase the frequency of intertie transactions being the marginal resource. The absence of mid-price coal fired generation will then result in artificially low real-time prices as the price would be set by baseload supply. Consumption inefficiencies resulting from these low prices would also increase.

3. Stakeholders expressed concern that it was not clear what the IESO was proposing regarding this issue. The IESO responded that Issue #7 may be within the scope of Issue #41 (More Efficient Uniform price) or SE-61 (Dispatch Issues).
4. It was agreed to move on to the discussion of Issue #41.

Item 4: Issue #41: More Efficient Uniform Price (SE-79)

Darren Matsugu (IESO) made a presentation on the scope and next steps for this issue. Refer to the document published on the IESO public web site at the following location:

http://www.ieso.ca/imoweb/pubs/consult/mep2/MP_WG-20090203-Presentation-Issue41.pdf

Members Questions, Comments and Discussion

1. The following points were clarified:
 - a. Elimination of the unconstrained sequences is one potential solution;
 - b. One of the outcomes of developing a more efficient uniform price may be that existing uplift costs are included in the energy price.
2. A stakeholder suggested that the current period of low energy prices may be an opportunity to introduce real improvements to the market price determination. An intertie trader agreed but noted that the current economic conditions were also causing the IESO to be too cautious, witness the decision on Issue #9 Peak versus Average.
3. While the IESO asserted that an understanding of the issues that could be addressed is necessary before considering possible solutions, stakeholders stated that the issues were already well known, documented and understood e.g. Market Surveillance Panel reports, MPWG issues list. Stakeholders also stated that if real change was not politically acceptable then there was no point in starting this initiative.

Next Steps

The IESO will prepare a list of known efficiency issues related to the existing uniform pricing formulation and distribute it to the MPWG members for confirmation and feedback.

Item 5: Other Business

a) Members Issues

A generator requested that the IESO improve the timing of the distribution of MPWG meeting materials. He suggested that the IESO meet the following targets:

- Meeting materials distributed at least 2 business days before the meeting; and
- Draft notes from a meeting distributed to the meeting attendees within two weeks after the meeting.

b) Operational Issues

None.

c) **Review of November and December 2008 Pricing Events**

Derrick Khoo (IESO) presented a summary of pricing events for November and December 2008. Refer to document published on IESO public web site at the following location:

http://www.ieso.ca/imoweb/pubs/consult/mep2/MP_WG-20090203-Presentation-Nov-Dec_2008_Pricing_Events.pdf

Members Questions, Comments and Discussion

1. A stakeholder asked what the total market energy demand for 2008. The IESO responded that it was a 146 TWh¹.
2. A stakeholder asked for the IESO to identify the reason for the under-forecast of demand for hour-ending 12 on December 19th. The IESO undertook to identify the reason².

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¹ The total market energy demand, including transmission losses, for 2008 was 148 TWh.

² Subsequent to the meeting, the IESO determined that the reason for the under forecast of demand was due to an incorrect temperature forecast.

Action Item Summary				
AI #	Date AI Taken	Action	Status	Comments
AI 44-2	23 Aug 07	IESO to provide the following information regarding administrative pricing: refresher on current market rules and practices, data and summary of administrative pricing events and causes, IESO work programs in place to address the causes.	Closed.	Refer to agenda item 1(c).
AI 51-1	19 Aug 08	In the spring of 2009, the Working Group to review: <ul style="list-style-type: none"> whether OPA DR program transparency and reporting meets stakeholder needs; and impact of OPA DR3 program on operating reserve markets. 	Open Target completion date: Q2 2009	
AI 53-1	2 Dec 08	IESO to determine why local distribution companies are not allowed to offer voltage reductions into the market as a source of operating reserve.	Open Target completion date – unknown	
AI 53-2	2 Dec 08	For issue #7 (Intertie Transactions Setting Real-Time Price) the IESO is to re-frame the issue in terms of the ‘problem’ rather than an assumed solution.	Open Target completion date – unknown	
AI 53-3	2 Dec 08	The IESO agreed to report back to the April MPWG meeting regarding the changes to the generation output reporting of commissioning generation.	Open April 7, 2009 meeting of MPWG	