

## Minutes of Meeting EDAC - Settlements Design Working Group

<b>Date held:</b> May 13, 2009	<b>Time held:</b> 8:00 pm to 13:30 pm	<b>Location:</b> Hilton Garden Inn - Oakville
<b>Invited/Attended</b>	<b>Company Name</b>	<b>Attendance Status</b> (A)ttended; (R)egrets; (S)ubstitute
McLeod, Ron	Abitibi Bowater	A
Hopping, Uschi	Aquilon Power Corporation	R
Jain, Anshul	Aquilon Power Corporation	A
Cormier, Pascal	Brookfield Power	R
Selesse, Stephanie	Brookfield Power	A
Maguire, Mylene	Brookfield Power	R
Forsyth, Dave	Gerdau AmeriSteel Corporation	R
Lin, Jane	Greater Toronto Airports Authority	A (Via Phone)
Iwami, Yoshitoshi	Greenfield Energy Centre	A
Turner, Drew	Greenfield Energy Centre	R
Richard Penn	Greenfield Energy Centre	A
John Windsor	Greenfield Energy Centre	A
Abdelnour, Francois	Ivaco Rolling Mills	R
Romanish, Orest	Northland Power Incorporated	A
Ather, Naveed	Ontario Power Generation	A
Peterson, David	Ontario Power Generation	A
Rilling, Mike (IT)	Ontario Power Generation	A
Walker, Phil	Ontario Power Generation	A
Kerr, Paul	Shell Energy	R
Shane Harwood	Sithe Global	A
Kraayenbrink, Ron	St. Clair Energy	R
Heaton, Randy	TransCanada Energy	A
Kuntz, Margaret	TransCanada Energy	A
Palmberg, Kirsten	TransCanada Energy	A
Berry, Scott	IESO	A
Boudreau, John	IESO	A (Part Time)
Briggs, Jeannette	IESO	A
Navneet Singh	IESO	A
Miller, Al	IESO	A
NG, Hok	IESO	A

Springgay, Guy	IESO	A (Part Time)
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The meeting minutes when finalized will be posted on the IESO web site at:

[http://www.ieso.ca/imoweb/consult/consult\\_se73.asp](http://www.ieso.ca/imoweb/consult/consult_se73.asp)

## Summary of Meeting Discussion

### Item 1 Welcome and Agenda

Al Miller welcomed the members to the EDAC Operations Design Working Group meeting and invited the attendees to introduce themselves. This was followed by a review of the draft meeting agenda. No changes were made to the agenda.

There were no comments submitted regarding the minutes from the April 27, EDAC Settlements Design Working Group meeting and the minutes were posted to the portal as final on May 8, 2009.

### Item 2 Review of Action Items

Al Miller noted that material for Action Items 2, 4, and 5 from the April 21 Settlements DWG meeting have been posted to the web and will be closed accordingly. Jeannette Briggs and Navneet Singh led discussions on the remaining items.

#### *Review of Action #1*

While the action item focuses on the impact of changing day-ahead offers to negative values in real-time on the DA-PCG, the discussion included all aspects of the changes to offers.

Firstly, it was confirmed that the real-time offer in DA-PCG component 2 (which calculates the difference between day-ahead and real-time offers for a day-ahead schedule not dispatched in real-time) is capped at zero.

It was noted that offers for the MLP portion can reduce from day-ahead to real-time but cannot increase.

#### *Review of Action # 3*

It was agreed by the IESO, that the Operating Reserve (OR) claw back associated with component 4, can be changed from previously presented ordering of 10 minute Spin, 10 minute Non-Spin and 30 minute Reserve to 30 minute Reserve to 10 minute Non-Spin to 10 minute Spin.

One participant cited the Market Surveillance Panel report that encouraged the IESO to find ways to get more gas generator to offer OR and argued that the OR claw back should be removed all together in an effort to entice gas generators to offer OR. Another participant noted that the removal of OR claw back may not provide the necessary incentive as it is more of a function of compliance risk and technical characteristic of the facilities. It was noted by the IESO that the OR claw back in EDAC would only occur where the real-time schedule was less than the day-ahead schedule and only for the net profit, not the full amount as is currently the case in DACP.

All participant advice was so noted.

Another participant requested information on how the claw back would be seen in the settlements statements. The IESO stated that the claw back would be seen as a separate charge item calculated on a 5 minute basis.

### *Review of Action # 6*

It was noted that there are three possible combinations for calculating the DA-PCG.

1. Full DA\_PCG calculation using the guarantee's 4 components and start-up costs.

The other two combinations result from operating across midnight:

2. If completing a MGBRT of a start from a previous day (completion of MGBRT crosses midnight), DA-PCG calculates the 4 components for EDAC scheduled MWs above and beyond minimum loading point of remaining MGBRT (i.e. the guarantee calculation will ignore the costs and revenues associated with the constrained on minimum loading point to complete MGBRT and any associated Start-up costs).
3. If continuing on from HE-24 operation (MGBRT was completed in the previous day), DA-PCG calculation uses 4 components for all EDAC scheduled MWs in Day 2 start but will ignore start-up costs.

The current methodology for completing a Day 1 start will have the MGBRT constrained on in the calculation engine, ignoring the participant offers. One participant argued that while the methodology the IESO is suggesting is revenue neutral, the approach being suggested by the IESO is inefficient as the unconstrained algorithm in real-time will use the participants' offers for the constrained MGBRT and may result in a wedge between unconstrained and constrained pricing. The methodology employed by NYISO allows the participant to manage their MGBRT by offering at \$-1,000. It was noted that while the methodology works for NYISO's two settlement system, these offer values submitted by participants can set the HOEP price lower than what it would have been in the IESO methodology.

The participant suggested that the IESO should modify the participants' offers. It was noted that the IESO will not change participant's offers.

### ***Review of Action # 7***

In order to be eligible for DA-PCG the IESO will be looking for two decision points to be satisfied. First the generators unit breaker must be closed at the start of the first hour where the generator has an EDAC schedule and after reviewing participant concerns from the previous meeting, the generator must be at MLP within 6 intervals of the first hour where the generator has an EDAC schedule.

While participants agreed that there needs to be assurance that units perform as scheduled day-ahead, there was still uneasiness over the loss of the DA-PCG for the entire day when a generator does not reach MLP by the 6<sup>th</sup> interval.

In response to the fairness of losing the entire DA-PCG for being late to synchronize, the IESO noted that while a generator may not get the DA-PCG because the generator did not synchronize by the start of the hour and reach its MLP, it may still be entitled to a real-time start guarantee.

One participant suggested that the IESO reconsider prorating the start up similar to NYISO as the method of penalizing a generator for a late start.

***Editors Note:*** *At the April 21<sup>st</sup> meeting of the Settlements Design Working Group and again at this meeting, participants noted that a requirement to synchronize and reach MLP by a certain time frame to be eligible for DA-PCG would increase the number of resources synchronizing ahead of schedule thereby exacerbating the impacts of MLP in low load times. The following is the details of the review.*

*The IESO reviewed the number of occurrences of constrained resources not reaching MLP by specific intervals in the start hour of their DACP schedule. From May 2008 – April 2009, there were approximately 160 occurrences out of 2700 starts (less than 6%) of resources not reaching MLP by the 1<sup>st</sup> interval of the start hour of their schedule. By the 3<sup>rd</sup> interval the occurrences drop to approximately 3% or 81 out 2700 starts and by six intervals the occurrence is slightly less.*

*Secondly, the review showed that approximately 6.5% of resources did not synchronize before by the start of the hour. Additionally the percentage that did not make it for the hour remained above 5% with many units not synchronizing for a period of time extending beyond the next hour.*

*For the same dataset, approximately 65% of resources scheduled in DACP were at MLP for several intervals of the hour to the start of their DACP schedule.*

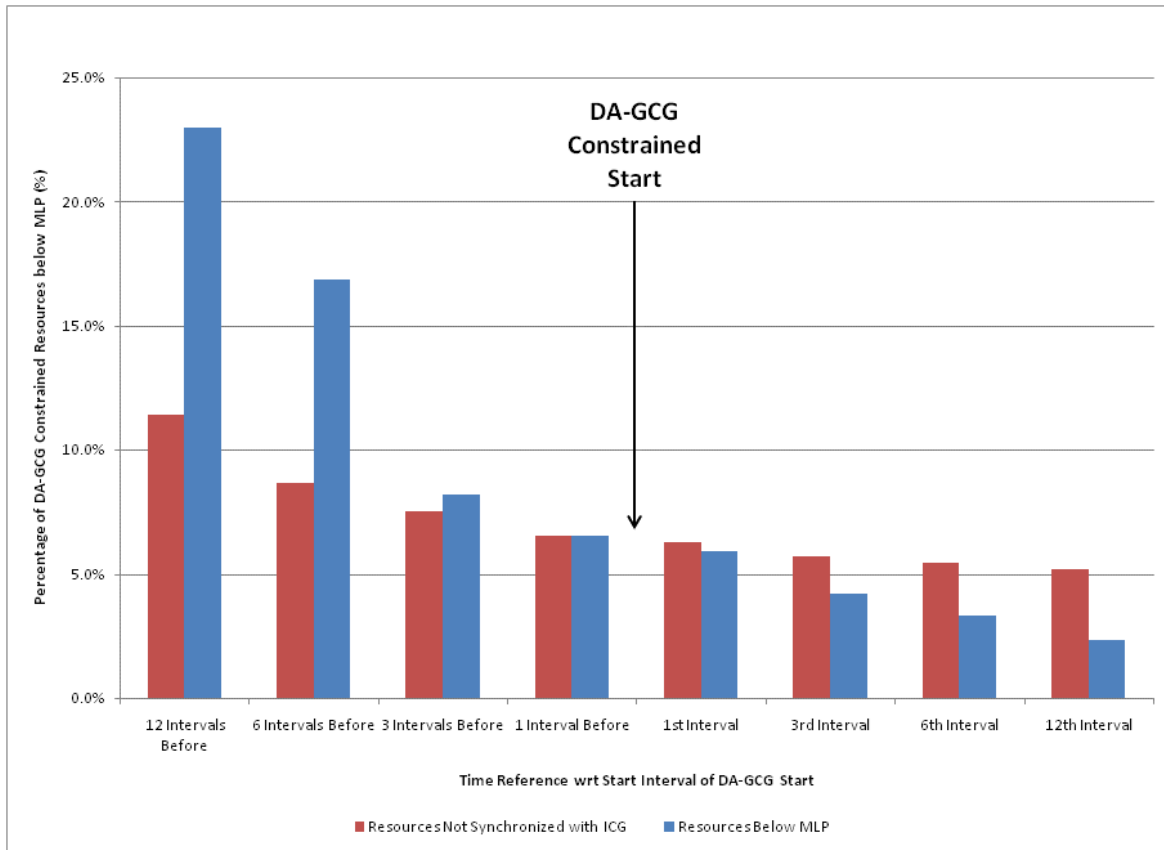
*Based on this analysis, the IESO does not expect the generators to change their operation to meet the 6 interval tolerance or the breaker closed criteria as a result of an EDAC schedule. As a result, we do not expect the eligibility criteria to have any greater impact than is currently being experienced with DACP.*

*Further, Interpretation bulletin IMO\_MKRI\_0001 Version 5.0<sup>1</sup> defines the dead-bands for departure from dispatch instructions for individual resources. As noted in the bulletin, the dead-band constitutes a range in which a facility can operate in order to be deemed to be compliant with a dispatch instruction.*

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<sup>1</sup> IMO\_MKRI\_0001 Version 5.0 can be found at:

[http://www.ieso.ca/imoweb/pubs/interpretBulletins/ib\\_IMO\\_MKRI\\_0001.pdf](http://www.ieso.ca/imoweb/pubs/interpretBulletins/ib_IMO_MKRI_0001.pdf)



The IESO has reviewed the eligibility requirements and feedback from participants and is proposing the following eligibility criteria:

1. To move forward with the eligibility requirement to reach MLP by the 6<sup>th</sup> interval of the start hour of the EDAC schedule,
2. To move forward with requirement to be synchronized at the start of the hour, and
3. Not consider prorating the start up as a method of penalizing a generator for a late start as suggested by participants.

### Review of Action # 8

Significant conversations around impact of pricing changes that can occur between day-ahead and real-time were undertaken. The underlying assumption in the design of the DA-PCG was that

- the DA-PCG creates no counter-productive market incentives
- generators would attempt to maximize revenues irrespective of guarantees
- the DA-PCG would attempt to emulate a two settlement system as best as possible

Following the conversations it was agreed that while the DA-PCG in EDAC may exacerbate the impact on real-time price to some extent, it is more of a matter of influences that are outside the scope of EDAC and will be addressed as part of the work associated with real-time issues outside the scope of EDAC.

### **Summary of Conversations**

In summarizing the conversations it was agreed that all the action items from the April 21, Settlements Design Working Group can be closed with the exception of #7. The participants have requested the IESO review the prorating treatment further, as well as provide a summary of the treatments for failure to meet synchronization and MLP in DACP and the current version of SGOL.

*Editors Note: The prorating discussion is contained in editorial notes associated with item #7 and the summary of the “treatments” for eligibility is posted in a separate document.*

### **Item 3 Real-Time Issues outside the Scope of EDAC**

Jeanette Briggs provided brief overview of the power point presentation on real-time issues that are outside the scope of EDAC. The presentation was in response to the real-time issues raised and summarized in the minutes of the last ODWG meeting on April 17. These real-time issues that are outside the scope of EDAC will be prioritized and addressed through Stakeholder Engagement SE-61.

Also noted was that real-time issues will be discussed at the June 3<sup>rd</sup> Stakeholder Advisory Committee Meeting. A participant invited members in attendance to appear in front to the SAC to voice support for outstanding real-time issues and support a need for the IESO to commit the resources necessary to address the issues that have been identified.

### **Item 4 Issue Log**

Al Miller reviewed the format of the detailed design issues log.

Members were advised that the issues log does not necessarily include all the action items raised in the DWGs. Rather the issue log is meant to keep track of long term items and decisions outside the material in formal presentations. It was also noted that the Issues Log will only be

updated once issues are formally closed. Therefore there may be a 2 meeting lag in updating the log.

#### **Item 5 Modifications to Day-ahead Intertie Offer Guarantees**

Navneet Singh led a discussion on the modifications to the Day-ahead Intertie Offer Guarantees including modifications to the formula, charge types and equations. The only feedback received was for clarifications to the presentation material.

#### **Item 6 Modifications to Intertie Offer Guarantees Offsets**

Navneet Singh led a discussion on the modifications to the offsets associated with Intertie Offer Guarantees. Changes included the stacking methodology and the removal of Financially Binding Status when EDAC goes into service.

One participant requested clarification on whether transactions with zero dollar value in the offer would appear in the offset stack. The IESO agreed to clarify this in the meeting minutes.

***Editors Note:** The current DACP and the proposed EDAC IOG Offset processes do not include transactions with zero dollar values in the offset stack.*

Another participant requested clarification on whether the stacking for offset determination would look across schedules (ie compare constrained schedule results to unconstrained schedule results) or just a single schedule. The participant noted that Intertie Offer Guarantee (IOG) is currently calculated from of the real-time unconstrained schedule and therefore, this is the only schedule that should be used in the determination of IOG offsets. If constrained on exports were used to offset import IOG, the IESO would be creating inefficiency. The IESO stated that the methodology will look at the day-ahead constrained schedule to determine if an import transaction is offset by a day-ahead export to determine whether the day-ahead or real-time IOG rate will be used in the real-time offset stacking. In real-time, the calculation will use only the unconstrained schedules for determining real-time import and export transactions for IOG offset.

The only additional feedback received was for clarifications to the presentation material.

#### **Item 7 SGOL Update**

Jeannette Briggs gave a brief over view on the status of the interim changes to SGOL. Participants were welcomed to stay for a session on SGOL that was to start following the Settlements DWG meeting.

**Item 8      Wrap up**

The session was wrapped up with a review of the actions and a review of the proposed agenda items for the next meeting which is scheduled for June 4, 2009 at Clarkson SCC.

Revisions to the slides discussed at the meeting will be published with the minutes.

<b>Action Item Summary</b>				
<b>#</b>	<b>Date</b>	<b>Action</b>	<b>Status</b>	<b>Comments</b>
1	April 21, 2009	IESO to review the treatment of changing offers from a positive day-ahead to a negative in real-time on the PCG calculation.	Closed at May 13 Settlements DWG Meeting	Guarantee calculation is capped at zero
2	April 21, 2009	IESO to post the detailed net OR revenue calculation for Component 4.	Closed	Material posted May 7
3	April 21, 2009	Participants to identify the rationale for ordering from 30 Minute Non Spin to 10 Minute Spin.	Closed at May 13 Settlements DWG Meeting	Ordering of claw back revised to consider 30 minute Reserve to 10 minute Non-Spin to 10 minute Spin.
4	April 21, 2009	IESO to publish the detailed Offer example shown that was a subsidiary to the presentation.	Closed	Material posted May 7
5	April 21, 2009	IESO to publish the treatment of start up costs that occur in Hour ending 1.	Closed	Material posted May 7
6	April 21,	IESO to publish how the SNL and	Closed	Treatment

Action Item Summary				
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	2009	incremental energy will be excluded from the DA-PCG settlement calculation when EDAC schedule relates to the remaining MGBRT of a start at the end of the previous day.		described to participant and posted in a discussion paper published May 7
7	April 21, 2009	IESO to consider alternative methods of establishing the compliance to be at MLP. May 13 – Remained open following this meeting for further review of prorating and to summarize treatment of guarantee eligibility.	Closed	Editorial notes summarize the review and separate Document posted may 27 summarizing treatments across other guarantee programs
8	April 21, 2009	IESO to develop a specific Question for the -real-time pricing issue.	Closed	Determined to be a real-time issue