

Intertie Trading Sub-Committee

Draft Minutes of the 2nd Meeting of the Intertie Trading Sub-Committee

March 29, 2004, 9:00 AM

Attendees:	Alain LeBlanc	Brscan
	Brian Bell	Ontario Power Generation
	Dan Lapierre	Brscan
	Elaine Beaudry	Transcanada Power Marketing
	John Power	Midwest ISO
	Mark Mueth	DTE Energy Trading
	Michelle Lozano	EPCOR
	Noralyn Vasquez	Transcanada Energy
	Paul Kerr	Coral Energy
	Paul McCuaig	Powerex
	Ray Wieszczyk	DTE Energy Trading
	Scott McArthur	Ontario Power Generation
	Steve Tsingas	Connectiv Energy
	Sylvain Gignac	HQ Energy Marketing

Bill Wilbur reviewed the agenda and asked whether there were any additional items to discuss.

An attendee asked about the possibility of reporting Operating Reserve when it is selected from interties and was advised that this would be discussed during item #3 on the agenda.

Item #1: Principles for Manual Adjustment of Intertie Transaction Schedules

Darren Finkbeiner provided a presentation of the IMO's principles for the manual adjustment of intertie transactions, as well as several base cases to illustrate their application. He indicated that this was the first discussion with participants of this issue and there will be further stakeholding of it.

Discussion:

A question was asked whether the IMO could comment on code changes post real-time and indicated that it has seen a difference between results issued 20 min after the hour and those on settlement statements. A suggestion was to add the base case descriptions when IMO changes a code – if market participants don't understand the rationale behind the change then the IMO will get more notices of disagreement (NODs). Darren indicated that the IMO would change the code to ensure that treatment is consistent with procedure and policy (i.e. to ensure CMSC payments). The IMO won't make changes after preliminary settlement and the market participant can issue a notice of disagreement (NOD) if they disagree with the code applied. The Ex-post desk will review codes when there is

reason to suspect a potential code problem, however there is no formal procedure for the review of codes and if codes are changed there is no process to provide market participants with a rationale.

Action – IMO to look into providing some type of rationale to participants for code changes made.

Another attendee asked whether it is possible for the IMO to indicate what was the underlying situation requiring a code (i.e. generation outage, inter-connection failure). The attendee indicated that they couldn't pinpoint anything in the System Status Report (SSR) report on January 15, 2004. Darren indicated that market participant specific data could not be reported but that the situation was reported in the SSR – i.e. a generator contingency and the SSR would also indicate whether there was an EEA 1 or 2.

An attendee questioned the use of the wording as set out in principle 1 as it was not specific as to whether it would impact the constrained or unconstrained (market) schedules. Darren confirmed that this principle applied only to the constrained schedule.

Action – IMO will look into adding the word 'constrained' to principle 1

An attendee questioned the wording “to the extent practicable” in principles 3 and 4 and asked that the principles be more specific. Darren indicated that the process is predictive and may not turn out as anticipated but that making these principles more specific would be taken into consideration.

Action: IMO will consider making principles 3 and 4 more specific.

There was a suggestion that every attempt should be made to make cuts on the interties on a pro-rata basis.

One attendee objected to the statement that a market participant who fails to negotiate energy through another jurisdiction is somehow at fault and should therefore not be entitled to CMSC payments. Darren indicated that whether the market participant is at fault, or not, is not the central question and that the Ontario market should not have to compensate market participants whose transactions fail in another market.

An attendee stated that the code process assumes that the Constrained Schedule (CS) and Market Schedule (MS) are equal. However, the MS is often better off (i.e. has more MWs offered in). The contingency is really in the constrained schedule – there is no need to replicate the contingency in the MS. He asked whether the IMO could do something to take different action between CS and MS. Darren indicated that the IMO is limited by practicality, as there is no opportunity to re-run the Pre-Dispatch.

An attendee suggested that in base cases 5, 6 & 7 that the IMO is not meeting the identified principles. He asked that the IMO come back to the Intertie SC with compromises to address this. He also indicated disappointment that the presentation did not discuss any possible effort to take a two-phase approach between the CS and MS.

An attendee indicated that he would prefer a solution that allows the markets in different jurisdictions to be closer to real time especially with MISO opening their market with a 30-minute window. Under

these circumstance Ontario traders will be out of NY and MISO markets. Darren indicated that there is currently no 'good' protocol established between any two jurisdictions. All markets having the same timing would not solve these seams issues. Differences in timing actually allow the IMO and neighbouring ISOs to exchange pre-dispatch data that can address seams to a degree.

Item #2: Potential Changes to IMO Handling of NERC Tag Discrepancies for Intertie transactions with MISO

Rhonda Wright Hilbig provided the presentation on this agenda item that proposes that the IMO will adjust a transaction schedule to equal that specified in the NERC Tag in situations where the NERC Tag cannot be adjusted.

After a question from an attendee Rhonda clarified that this proposal would only apply in situations where the IMO has to increase the schedule amount of an import to the IMO to match the NERC Tag quantity. She also indicated that these issues typically arise on the Michigan intertie only.

Rhonda also clarified that the adjustment would be made to both the constrained schedule and the market schedule (CS = MS) and that this transaction would still be considered a failed intertie transaction. The proposal would be that market participants are only eligible for an Intertie Offer Guarantee (IOG) payment based on the originally scheduled transaction quantity, and any IOG payment above that amount would be clawed back. It is the opinion of MACD that a rule amendment would be required to allow this claw back.

A question was asked about the IMO's undertaking to look into providing participants with a report in relation to their 3% failure rate that arose during the last Intertie Trading Sub-Committee meeting. Probir Sarbadhikari indicated that the IMO was still examining this possibility and that if a decision were made to provide this information it could be implemented within 6 months.

Item #3: Operating Reserve Prices for Imported Reserve

Darren Finkbeiner provided the presentation on this agenda item that described a problem with the operating reserve (OR) pricing algorithm that can result in incorrect OR pricing when all OR is sourced from interties. VCR 274 will correct this problem when implemented in June 2004.

An attendee indicated that when the IMO provides the report on intertie offer selection there is a lack of transparency. In terms of operating reserve (10 minute non-synchronous and 30 minute) market participants are provided with this information after the fact. Could this be reported in the market schedule, could the IMO indicate where operating reserve is being offered/selected? (I.e. internal or across interties). Darren indicated that the IMO does not report any energy selection for interties, nor internal generation schedules, energy or operating reserve until 1 hour after the fact. It is not a visible process.

Action: IMO to consider providing information on operating reserve offers/selection in current reports.

Item #4: Consistency of Data Provided to the NEB by the IMO

George Katsuras provided the presentation on this agenda item that discussed the issue of inconsistency in the reporting of import and export data to the National Energy Board.

Several attendees noted that the data sets (i.e. the NEB and IMO data) seem to be very far apart and that this may indicate a systemic issue.

Several attendees also indicated that traders were in the process of learning the correct procedures (for reporting to the NEB) and that the data sets should be coming closer together.

Attendees were comfortable with the IMO providing data to the NEB to resolve the data inconsistencies.

Post meeting note: The NEB has officially requested that the IMO provide monthly import and export data by market participant. The text of this request has been posted on the Intertie Trading web page.

Item #5: Compliance Data Requests re January 15, 2004

Richard Penn provided the presentation on this agenda item, discussing the request from the IMO for confidential data from Traders regarding their bids and offers on January 15, 2004.

An attendee indicated that the IMO should not be examining the events of January 15, 2004 as it was an extreme day and that other, perhaps more typical days, should be examined.

Several attendees expressed concern that the events of January 15, 2004 were not discussed in sufficient detail at this meeting. Richard indicated that a comprehensive report by the Market Surveillance Panel is forthcoming (to be published in June 2004) that would provide a full analysis of the events on January 15, 2004.

Action – Bill Wilbur to provide more information on the events of January 15, 2004 at or before the next meeting of the Intertie Trading Sub-committee.

Item #6: CMSC for Constrained Off Exports

Richard Penn provided the presentation for this agenda item which continued the discussion started at the last meeting regarding the removal of CMSC payments for constrained off exports. There were two new proposals presented here: 1) an IMO assessment of each CMSC payment and possible clawback if criteria not met; and 2) a two hour limit on CMSC payments.

Several attendees raised concerns about the analysis provided. One indicated that the pre-dispatch price might not reflect the price the trader is willing to pay. The analysis does not take into consideration the correlation between results when a trader is trying to export or import. In order to

have any validity you would have to pre-determine whether each hour is an import hour or an export hour and run the histograms on that basis.

Action – Richard Penn to provide revised data that examines only hours with constrained off exports instead of all hours.

Response - A revised chart has been added to the presentation on this item (slide 8). This can be viewed/downloaded from the Materials section on the Intertie Trading web page.

An attendee indicated that the proposed process imposes an additional obligation on the participant to automate processes to assess the IMO's assessment of CMSC (in effect imposing a new obligation on the MP). This will take away liquidity from the trading market – putting on another layer of administration that will push away trade.

In undertaking a review of constrained off activity there could be some soft costs to participants that would be difficult for the IMO to verify – i.e. customer relationship damage when exports are constrained off.

An attendee indicated that he is concerned about the impact of the MISO market opening – sceptical about making changes to CMSC until these impacts are assessed.

Rather than reviewing CMSC payments the IMO should endeavour to bring pre-dispatch and real time prices into better alignment. The analysis indicates that pre-dispatch prices are above real time prices 80% of the time – the IMO should try to move that figure to 50%.

Another attendee asked why the IMO was dealing with this issue at all as it involves such a small amount of money. Richard indicated that the current CMSC payments are virtually risk free according to the analysis and that a review needs to be put in place in order to control the exercise of market power.

There was a single potential supporter of the first approach, with a suggestion made to improve it by placing a materiality limit on the review – i.e. a certain dollar amount. However, the majority of the group was not in favour of this proposal with or without materiality limits.

There was a general consensus that the “2 Hour” option (second proposal) had many issues surrounding its implementation and none of the group were supportive of this approach.

Item #7: Future Meetings

It was decided not to schedule regular meetings but rather that future meetings would be scheduled at the end of the preceding meeting. The next meeting was scheduled for Tuesday June 1, 2004.

Suggested Agenda items for the June 1, 2004 meeting:

- more detail on the events of January 15, 2004
- more on the manual adjustments to intertie schedules (see Agenda item #1 above)
- NISL (Net Interchange Scheduling Limit) – NISL or MP specific reports indicating NISL impact.
- Intertie Shadow Prices