
From: IESO Stakeholder Engagement
Sent: January 21, 2008 8:44 AM
To: IESO Stakeholder Engagement
Subject: Linked Wheel Transaction Interim Proposal Update

All Traders:

From the last IJTSC meeting, the IESO came away with basically 4 interim options for the linked wheels. They are:

1. Changing the offer requirement of the import portion of the wheel to -\$50
2. Removing an offer requirement of the import portion of the wheel
3. Changing the bid requirement of the export leg to a “multiplier” to the bid price
4. Evaluating the linked wheel at the 2 hour out PD – economic offers for both legs

The IESO has agreed to look at Option 2 – being that this is similar, but more preferential to the IJTSC members than the first option, we have chosen not to investigate option 1.

OPTION 2:

Option 2 has been explored and discussed with our Shift Operations staff. There is currently a tool and communication issue involving NYISO which we experience today when wheels are curtailed. On a linked wheel transaction, the IESO is considered the Intermediate Transmission Provider. Currently the NYISO tools are set such that any adjustments made to e-tags by the Intermediate Transmission Provider or the Market Participant in the dispatch hour or the hour prior to the dispatch hour is automatically denied.

This currently causes a problem for the IESO when a linked wheel tag is curtailed mid hour or hour ahead, where IESO is the intermediate transmission provider. If IESO attempts to curtail the transaction, the NYISO tool will automatically deny the curtailment meaning MISO will not approve the adjustment and our schedules will not match with MISO or NYISO. We must have NYISO manually approve the curtailment in e-tag, which is a process change for them and we are currently working with them on this. As this option may provide a greater occurrence of the offer portion of linked wheels not being scheduled and may therefore increase the number of times that we must curtail the import portion of the linked wheel, we expect that this issue of accounting and inadvertent MWs will be exacerbated.

The IESO is committed to working towards this option and without this issue has no other problems with progressing with this as an interim solution.

After looking at option 2, we wondered about morphing it into an evaluation at t- 90 as this would negate the tagging issue with NY, allowing us or the MP to adjust the tag. Unfortunately this does not totally eliminate the issue as the transaction could be economic at t-90 but not economic at t-30, still leaving the issue of curtailments prior to the dispatch hour.

OPTION 3:

Option 3 promised that we look at whether there was a multiplier or adder that could be applied to the 2-hour

ahead pre-dispatch price to set the export leg bid requirement.

The multiplier/adder would have to be based on the 3 hour out pre-dispatch price in order for the market participant to submit bids prior to the 2 hour mandatory window.

The IESO feels that as a minimum for reliability the adder/multiplier must be equal to those which we have seen in the past. The 3 hour ahead pre-dispatch shadow prices vs the pre-dispatch price at Beck and Lambton for 2005, 2006, and 2007 are shown below.

ADDER OPTION

The biggest differences between the 3-hour ahead and the 1-hour ahead pre-dispatch price were:

Lambton Shadow 3Hr to 1Hr Pre-dispatch Difference: **\$2,474.02**

Beck Shadow 3Hr to 1Hr Pre-dispatch Difference: **\$1,876.80**

Based on these differences an adder option would bring us back to \$2000.

MULTIPLIER OPTION

The biggest multiplier between the 3-hour ahead and the 1-hour ahead pre-dispatch price were:

Lambton Shadow 3Hr to 1Hr Pre-dispatch Multiplier: **x17.3**

Beck Shadow 3Hr to 1Hr Pre-dispatch Multiplier: **x32.8**

Based on these differences any 3 hour out price over \$60 would again have us back to \$2000.

OPTION 4:

If the transaction is economic at the 2 hour out PD, there is still no guarantee that it will flow in real time meaning that it may be economic by a penny or two at the 2 hour out PD and miss the boat at t-30 presenting the same reliability issues that are a concern today.

Thanks,

Dave Robitaille
Chair