

IESO Engagement

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To: IESO Engagement
Cc: Ryan King
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Respectfully submitted for consideration by the IESO and relevant stakeholders.

Design Element 10 - Offer Changes

In the Day Ahead Market (DAM), financially binding schedules for output and price are established based on participant bids. During the presentation, it was stated that suppliers can change offers and prices from DAM up until two hours before Real Time Dispatch. What is the rationale for allowing this flexibility when it increases uncertainty in both price and quantity of supply? With this uncertainty, how much additional Operating Reserve does the IESO need to carry to ensure reliability?

Instead, the DAM process should reward (or provide certainty to) supplier participants that reliably deliver hourly energy at the schedule and price that was offered in DAM. Changes between Day Ahead offers and bids should be the exception, not the rule. This approach would provide a stable base between DAM and Real Time dispatch.

Furthermore, Suppliers that offer flexibility services (ie - dispatchable supply, AGC, etc.) provide additional value to the IESO in managing supply and demand on a real time basis. Ideally, the value of Operating Flexibility should be integrated into the evaluation of DAM market bids.

The IESO and relevant Stakeholders should consider that in all other commercial markets, supplier commitment to deliver products on time and at the price offered is a keystone of supplier performance. For example: the automotive industry - where supplier just-in-time delivery is essential to minimize cost and meet customer requirements. Suppliers are evaluated on their ability to deliver on their promise of quality, price and schedule.

It is recommended that the IESO and relevant Stakeholders adopt this philosophy in the electricity sector. This would require generators to commit to reliably deliver hourly energy, and ancillary services at the price offered in the Day Ahead Market. The financially binding prices and quantities established in the DAM would then be paid for on delivery in Real Time. Replacement generation to cover Forced Outages, Deratings or variations in Market Forecast would come from resources identified next in the DAM stack. Utilizing this simplified approach will improve the efficiency and effectiveness of electricity system coordination, reduce costs and support reliable operation.

Real Time Guarantee - RT-GCG

The ERUC economic evaluation should consider the amount of Operating Reserve that is provided based on the difference between the generator's Maximum Load Point (MxLP) and Minimum Load Point (MnMLP). The whole purpose of committing on-line resources is to provide Operating Flexibility and Operating Reserves to meet IESO requirements. Therefore RT-GCG payments should consider not just costs, but also a unit that provides more Operating Reserve and higher Ramp Rates will provide increased value to the IESO than a unit with less flexibility.

The IESO and relevant stakeholders are asked to consider these approaches as a means to simplify and streamline the Market Renewal process.

Respectfully Submitted

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