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APPrO comments on IESO day-ahead model designs

David Butters

President

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Overview

- The Ontario electricity market unusual in not using systems that minimize uncertainty in the day ahead
 - Mismatch between gas and electricity markets an increasing impediment to the efficiency of Ontario's energy markets - will become increasingly relevant as Ontario's coal capacity is phased out
- Generators generally support a Day Ahead Market (DAM) IF it comes in the form of a cost effective mechanism for increasing liquidity and reducing price and dispatch volatility in the market
 - Forward markets provide reliability and efficiency benefits and bring gas and electricity closer together
 - We should be able to see a better price regime if participants have a clearer view of the market
 - Our strong trading relationships with NY and other states where such structures exist suggests we should eventually have similar structures



APPRO DAM position

- A day ahead electricity system is needed to enhance mutually supportive operation of energy markets, and mitigate risk of cross-market disruption.
- However:
 - Existing real-time pricing and dispatch issues must be addressed prior to or coincident with the development of a DAM
 - Stakeholders are involved in many other concurrent stakeholdering processes
 - The quick pace and summer holiday season timing of the IESO's stakeholdering process likely impedes the proper development of stakeholder viewpoints
- APPRO view is that IESO process should be rethought and its schedule revised



Key Features Required

- APPRO agrees with the Ontario Electricity Sector Day-Ahead Objectives set out by the IESO
 - High level and probably sufficient only for broad direction for DAM
- A successful DAM model must possess a number of desirable features:
 1. Balanced: needs to have load side participation
 2. Voluntary: participation needs to be voluntary
 3. Physical: The DAM needs to provide the assurance that obligations established in the DAM can be actually delivered in Real Time.
 4. Simple: issues around uniform pricing vs. nodal pricing and associated complexity must be considered and appropriate compromises sought
 5. Uniform: a DAM must ensure that imports are treated on the same basis as Ontario based generation
 6. Robust: it is unclear to APPRO if a successful DAM can be built upon the foundation provided by the current Real Time market



Summary

1. Any DAM model must address the key features APPRO considers desirable
 - Otherwise it will prove a difficult and perhaps impossible to design a day ahead mechanism which actually achieves the market purpose for which it would be designed at a cost market participants and ratepayers would be prepared to bear
2. Real-time pricing and dispatch issues must be effectively addressed either prior to or coincident with development of a DAM



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APPRO is a non-profit organization representing more than 100 companies involved in the generation of electricity in Ontario, including generators and suppliers of services, equipment and consulting services. APPRO members produce power from co-generation, hydro-electric, gas, coal, nuclear, wind energy, waste wood and other sources. APPRO's members currently produce over 95% of the electricity made in Ontario.

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416 322-6549