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**Draft Comments**

**IMO Market Surveillance Panel Discussion Paper -  
Congestion Management Settlement Credits**

**General**

- The discussion paper is timely as it forms an important part of the next phase of market design evolution and it's well positioned in advance of the potential introduction of locational marginal pricing in late 2004.
- The discussion of comparative practices in other jurisdictions is particularly useful in supporting the proposed recommendations.

**Specific**

- We agree with the recommendation that constrained-on payments, while considerable, play an important role in adding supply and enhancing generation reliability and should be retained.
- The magnitude of the constrained-off payments, their resultant impact on the Uplift Charge, and the concentration of these payments are all of significant concern.
- Based on this analysis, they appear to have substantially increased market costs and impaired market efficiency by both providing opportunities for market manipulation and interfering with market signals. In particular they appear to create the basis for distorted and inefficient Transmission Facility investment decisions.
- In light of these shortfalls we fully support the recommendation to ideally eliminate or at least substantially modify constrained-off payments. We recognize that the implementation of these changes will potentially necessitate other market modifications.
- We disagree with the IMO using fictional offers of energy to push MCP down as this contributes to market inefficiency. (p.12)
- We would like the IMO to identify and publicize transmission-related CMSC payments from market opening. (p.14)
- We agree with 3.2.1 of the report that Constrained off payments are sending inappropriate signals to the market. (p.17-18)
- It is our belief that the IMO should not be making the decision as to when hydroelectric units run or don't run. This should be up to the generator not the "market operator." If the hydroelectric generator offers their unit into the IMO, then they must run if dispatched. (p.20)
- If a generator cannot reach their dispatch level then, they should inform the IMO. If they fail to inform the IMO then they should be penalized and, not rewarded for not complying with dispatch instructions. (p.20)
- If the near-term decision is to modify constrained-off payments, then we support the recommendations detailed in section 3.3.of the report. We further support the associated recommendation that the IMO undertake to modify the DSO to enable identification of the causes of Congestion Management Settlement Credits (CMSC) going forward.
- Our preferred alternative though is the adoption of locational market pricing, which would serve to significantly reduce if not eliminate CMSC payments.

Finally, the analysis clearly demonstrates the significant market cost of “bottled generation” in the Northwest system due to limited east-west transmission capacity. We strongly agree with the comment that new transmission investment to relieve these constraints must be encouraged and that a coordinated approach to transmission system planning throughout the Province is required.