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**via email only**

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Market Surveillance Panel  
c/o Board Secretary, Ontario Energy Board  
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**Re: Proposed Monitoring Document on Generator Offer Prices Used to Signal an Intention to Come Offline**

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Shell Energy North America (Canada) Inc. (“Shell Energy”) submits these comments and questions in response to the invitation to comment issued by the Market Surveillance Panel (“the Panel”) regarding ramp off offers by generators. For ease of response to the questions by the Panel, they have been organized and numbered according to the topic discussed.

### **The Analysis Supporting the Shadow Price Criteria is not Clear**

The Panel believes that an offer 30% above the 3-hour ahead pre-dispatch shadow price will “normally” provide an “extremely high” degree of certainty for the generator being dispatched down. It is not clear whether the real time prices assessed were the after-the-fact hourly average prices or the individual intra-hour 5-minute shadow prices. It is the 5-minute prices that determine whether or not the resource continues ramping down or may be faced with an unexpected dispatch reversal to increase output. Any level of uncertainty related to these dispatches can prove problematic for the IESO operations as well as the generator, and could place the generator in a position of not being able to achieve the dispatch, followed by potential compliance investigation by the IESO. For certainty, this adder may need to be higher than 30%.

1. Was it the hourly or 5-minute real time shadow prices that were analyzed?
2. What percent of the time, with what degree of error, is the 30% adder achieving the desired outcome of ramp off for the prices analyzed?
3. If it was hourly data analyzed, did the MSP do any assessment of 5-minute price, and if not, will the MSP perform the same analysis on 5-minute prices to obtain this view?
4. What percentage above the 3-hour pre-dispatch price is required to move the level of certainty to 100%, for each of the hourly and the 5-minute shadow prices?
5. Was the 30% conclusion reached by averaging the outcomes of analysis performed for each generation resource, or is it the highest or the lowest of the individual outcomes, or please describe how the amount was determined?
6. Has the Panel discussed the operability issues of dispatch reversals with the IESO, and does the IESO agree with / accept the analysis and conclusions of the Panel?

## **Offers Related to MGBRT Hours May not be a Good Proxy for Marginal Cost**

Generators may construct their MGBRT offer based on the costs associated with running at minimum loading point, and this might include the heat rate / efficiency of operating at that level. The costs to ramp down can be different for many reasons, including the degraded efficiency of the operation and the extra fuel consumed. Some generators may be earning revenues related to operating reserves and so may choose to structure their MGBRT offers taking this level of revenues into account. Other generators may be offering based on considerations such as the risk associated with Ontario Power Authority contracts or based on the arrangements they have to purchase and transport fuel. The Panel also seems to ignore situations where a generator continues to run beyond its MGBRT hours, and the different offer prices that may be employed during these hours of operating. The MGBRT offer criteria may not provide the necessary compensation to recover the generator costs of ramping down.

While it is impossible to say whether the offers of a generator are a good reflection of their marginal costs, it is fairly safe to say that it costs more, on fuel alone, for most generators to ramp down than it does to run at the steady state of minimum loading point. The proposed guidelines must reflect this reality.

7. Will the Panel develop a criteria based on the situations where the generator has run beyond their MGBRT hours and potentially used different offers than those used for MGBRT?
8. Does the Panel acknowledge that the costs to ramp down can be different than the costs of running the resource during MGBRT hours?
9. If the Panel continues to use the MGBRT offers as a proxy for marginal costs, will the Panel consider an adder similar to the shadow price criteria such that the measure is something like 130% of MGBRT offer?

## **The Outcomes or Consequences of a Panel Investigation are not Clear**

The Panel makes several references to the *Electricity Act*, the *OEB Act*, and *OEB Bylaw #3* regarding their authority to monitor participant conduct and perform investigations of the conduct. Section 4.1.1 of *OEB Bylaw #3* is included in its entirety, and concludes with: “(e) *recommending remedial actions to mitigate the conduct, flaws and inefficiencies referred to in paragraphs (a) to (d).*” The Panel also notes that it has had successful discussions with participants to change behaviour, included reviews of generator ramp down offers in its monitoring reports, and made recommendations to the IESO regarding changes to market rules.

Beyond monitoring, investigating, and reporting the Panel has not made any references to statutory or regulatory authority it may have to take action against a participant that the Panel has concluded behaved inappropriately. Participants need to clearly understand the authority of the Panel to take action and what the possible consequences might be related to that action. Without such clarity, it could place participants on unequal footing if some choose to follow the guidelines, while others may choose to ignore them.

10. What statutory and regulatory authorities does the Panel have to take action at the conclusion of an investigation, and generally what might those actions entail? More specifically ...
11. Will the Panel publish a public report naming the participant and the findings of the Panel?
12. Does the Panel have the ability to disgorge monies from the participant related to their behaviour, and to what extent?
13. Does the Panel have the ability to impose a fine or other penalty on a participant?
14. Will the Panel refer the matter to the IESO for compliance action against the participant, and on what grounds?
15. Further to any abilities of the Panel, or instead of them, what are the authorities of other institutions like the OEB, the courts, and the IESO to take action on a participant related to the monitoring and investigating activities of the Panel?

### **The Path Forward and Next Steps are not Clear**

The Panel has invited comments on the proposal but has not indicated what the next steps in the consultation will be. Shell Energy requests that there be at least one more round of draft proposal with a new request for comments, once all of the current comments are received and responded to by the Panel. With respect to the marginal cost element of the proposal, it appears that the Panel will need to request discussions with each participant, if the participant agrees, to review the analysis of the Panel specific to the participant, to discuss the aspects of marginal costs, and to reach an understanding with the Panel with respect to the appropriate ramp off offer behaviour. For participants to obtain the necessary clarity and certainty around their behaviour, these discussions must take place prior to any future commencement date of the Panel beginning to monitor participants according to the final guidelines.

16. Will the Panel be responding in writing to the comments and questions received?
17. Will there be an additional round of consultation where a draft proposal is issued?
18. Has the IESO been requested for their comments on the proposal?
19. Considering the extra effort and risk to participants of attempting to manage their ramp off offers on an hourly basis as pre-dispatch prices change and as their marginal costs fluctuate, will the Panel consider allowing / accepting participant proposals to use a single fixed offer value that may be adjusted periodically?

Shell Energy appreciates the opportunity to participate in this consultation,

Sincerely,

*via email*

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