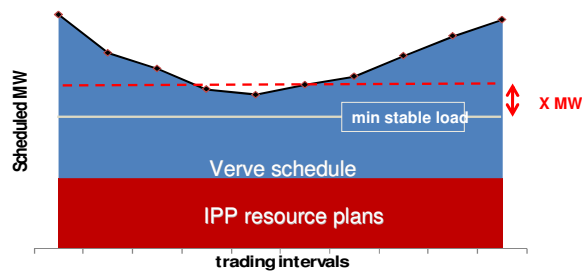


Opportunities for participation in balancing

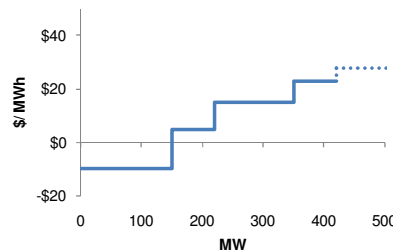
- Share thoughts with/ seek feedback from MAC members on possible opportunities for greater participation in balancing
- Consider options around decommitment of Verve coal units and alternatives to OCGT (oil or gas)
 - Higher value opportunities or exposures
 - More generic approach is problematic under current market design
- Assumption that pricing and cost allocation distortions are addressed to the extent practical under current design (i.e. cost reflectivity principle)

Decremental balancing opportunity?

- SM forecasts balancing margin within 'x' MW of decommitment of Verve coal units



- MCAP curve comprised solely of Verve resources (gross supply curve)
 - & assuming other pricing distortions are



Decremental balancing opportunity?

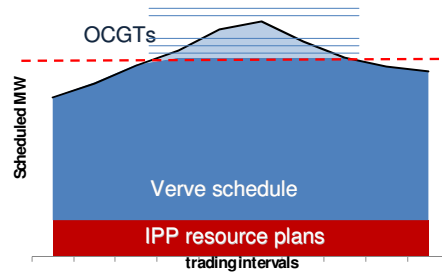
- SM advises market of decremental balancing opportunity/ calls for DecBSC offers from participants
- Indicates total quantity, timing and expected MCAP if decommitment occurs
- Participants submit DecBSC offers
 1. Turn Down Tranche (TDT):
 - Single P-Q tranche per facility (simplifies assessments/ dispatch)
 - 'Option' which SM can request at short notice
 2. Decommitment tranche DT:
 - P-Q, min/max times, lead time etc
 - Assessment more complex (need to determine how to evaluate)
 - If submitting DT, must submit TDT (even if zero if already at

Decremental balancing opportunity?

- SM notifies participants their DecBSC options(s) have been accepted
- SM maintains operational communication with participants about prospects for their option(s) to be called
- SM advises market it has accepted options
- If required, SM would dispatch TDs first (i.e. before TDTs)
- If SM calls (dispatches) DecBSCs:
 1. TDT:
 - Eligible to set balancing price: $MCAP = \min(\text{dispatched incBSC options, Verve dispatched balancing quantity})$
 2. DT:
 - Establishing MCAP tricky given lead times, multi period decisions
 - Will require careful analysis of approach

Incremental balancing opportunity?

- SM forecasts balancing margin within 'x' MW of dispatching Verve OCGTs (gas or liquid) for energy
 - Does not require that all slow start units be committed (e.g. because of min run times)



- SM announces *incremental balancing support opportunity*
 - Forecast times/ MCAP if OCGTs called
 - Call for IPPs to provide incremental BSC (IncBSC) offers

Incremental balancing opportunity?

- IPPs make IncBSC offers
 - 1 P-Q tranche per facility (simple assessment of offers)
 - Dispatchable on SM request (no lead time if called)
- If SM calls (dispatches) IncBSCs:
 - Eligible to set balancing price (balancing price will be no less than highest price incBSC option dispatched)
 - Insert called IncBSCs into MCAP curve, adjust relevant quantity

Why not a more generic approach?

- Generic participation (under current balancing arrangement) will threaten market efficiency:
 - e.g. IPP renominations (of resource plans) potentially invalidates gross commitment and dispatch of Verve as balancer