

Education/Review/Study of Locational Pricing

MPWG

August 4, 2006



Locational Pricing – Why Now?

- Several reasons for looking at this now:
 - Day Ahead Market design – one of several “key” questions
 - Need to decide if there will be changes to Ontario’s uniform pricing structure before DAM can be designed
 - CMSC complexities becoming more of a problem
 - E.g.. DACP settlements rule amendments
 - Market Surveillance Panel report suggests a move to LMP

Locational Pricing – Why Now?

- Reasons continued:
 - Renewed government interest in “regional pricing”
 - Technical study of LMP needed to support any gov’t decision
 - Interest of stakeholders
 - Stakeholder Advisory Committee passed resolution in July recommending the IESO “...study the potential introduction of LMP in Ontario...”
 - Discussion at July SAC also talked of need for further education on this topic for many stakeholders

Proposed Terms of Reference

- MPWG will be the forum for this LMP study
- If agreed by members, then discussion today on:
 - Scope
 - Schedule
 - Should be fairly quick to inform gov't and further market evolution, including DAM design
- Stakeholder Engagement plan to be created based on today's discussion
 - posted prior to next MPWG meeting

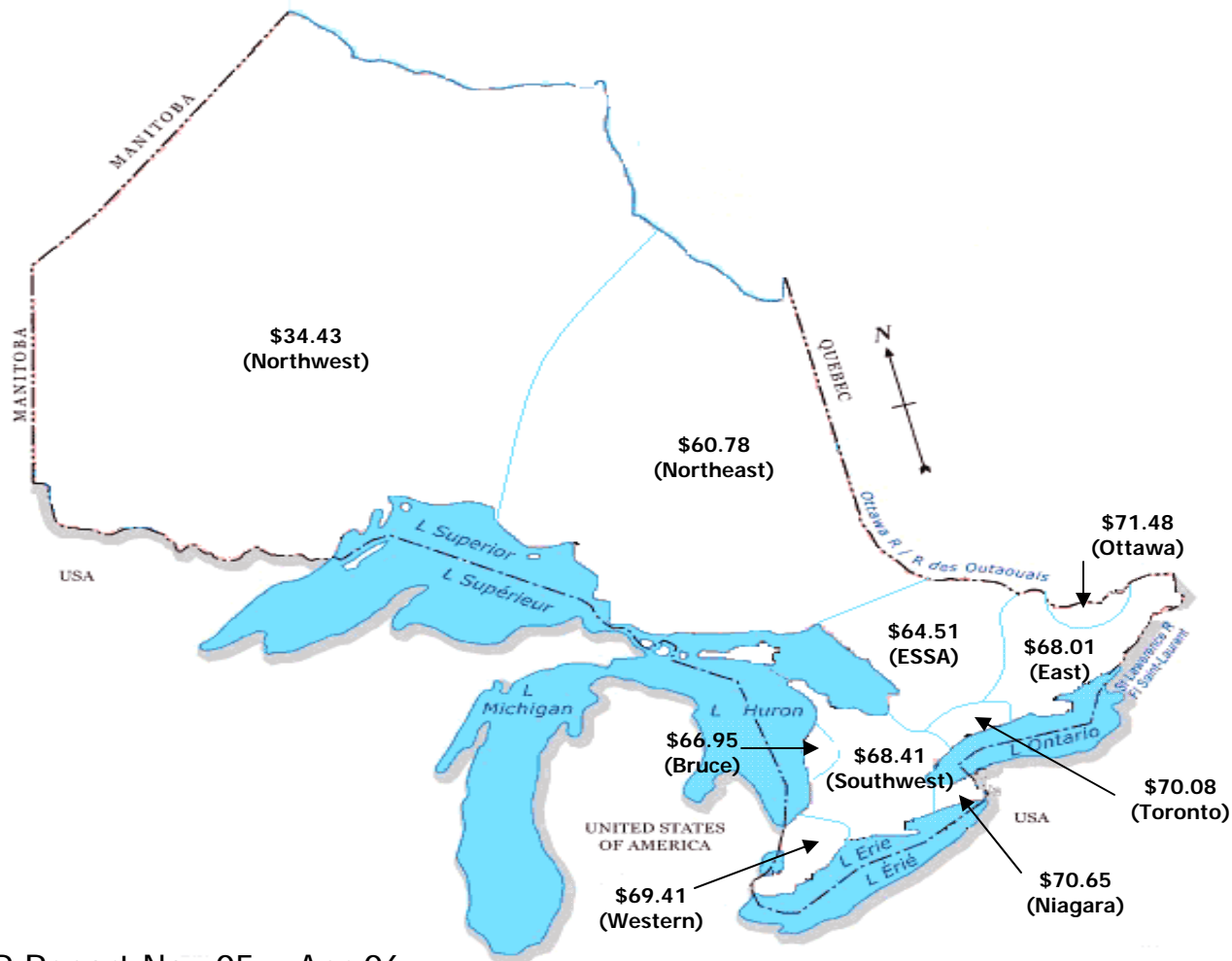
Proposed Scope of LMP Work

- Goal of Study
 - Identify, with rationale, possible models of LMP for Ontario
- Study will include:
 - LMP Models (nodal; zonal; regional; supplier vs consumer.....)
 - Other markets, focusing on neighbouring markets
 - Hedging (Transmission rights....)
 - Ontario impacts (prices, total market costs, efficiencies...)
 - Transitional mechanisms
 - Market Power
 - Basis of analysis
 - Existing shadow price calculations (MMCP, admin pricing events, blackout, post-MIO)
 - Behavioural changes
 - Other???

Proposed Schedule

- September – start study with MPWG
- Q4 2006: preliminary results
 - For November SAC and IESO Board meetings?
- More frequent MPWG meetings?
- Broader representation on MPWG?
 - Geographic representation

Average Internal Zonal Prices Nov 05 – Apr 06



Source: MSP Report Nov 05 – Apr 06