

Interties and the Ontario Market Clearing Price – IESO Opinion

MPWG

August 4, 2006



Last Meeting...

- IESO proposed that the issue of intertie transactions role in setting the real time price be deferred until the DAM discussions
 - The supply community strongly objected
- IESO will now address this issue with the MPWG and this presentation provides our current thoughts on this topic
- We are inviting written stakeholder positions on intertie transactions role in setting the real time market clearing price

(the stakeholder engagement plan will be revised to reflect this approach)

IESO Opinion

- The IESO agrees with the existing market principle that only resources that are dispatchable in real time are able to set the real time price.
 - Allowing intertie transactions to set the real time price would violate this principle and add to the list of inconsistencies
 - Some of the existing inconsistencies:
 - not respecting minimum generation levels
 - constrained off generators setting the price
 - If we violate this principle now do we allow other limited resources to set the real time price
 - For example:
 - Ramp constrained generation
 - Self scheduling generation
 - Units that are constrained to a certain output yet have capacity available above that point (AGC unit for example)

IESO Opinion

- Interties setting price should be addressed in the context of DAM and real time market design
 - Our neighbours with DAM markets allow intertie transactions to set the DAM price. This is likely a feature of a future DAM in Ontario.
- Inconsistent with neighbouring markets
 - None of our neighbouring jurisdictions allow non-dispatchable resources to set the real time domestic price
 - Would add to the already large list of differences between Ontario and neighbouring markets

Next Steps

- Please submit written opinions to the IESO, in support of or opposed to our stated position
- Written submissions will be posted on the MPWG webpage
- Written submissions should be submitted by August 18, 2005