

Proposed Market Rule Amendments for Addressing Counter-Intuitive Pricing

IESO Market Pricing Working Group
June 10, 2005



- **Review the proposed market rule amendments and why they're needed**
- **Summarize comments received so far**
- **Discuss merits of current proposal**
- **Other options for short-term solutions?**
- **The plan for a long-term solution**

- **Avoid further credibility loss for IESO-Administered Markets caused by counter-intuitive prices**
- **Situations that could result in counter-intuitive prices are more likely to occur in the approaching summer period, so some type of solution before then is needed**

- **Three part solution:**
 - **Alter treatment of emergency energy purchases***
 - **Allow IESO to offset market demand changes caused by other emergency control actions**
 - **Allow IESO to use existing administrative price rules to eliminate counter-intuitive prices that may still occur when emergency control actions are used***

***The only actions that can be implemented in time for this summer.**

- **Change tools such that EE purchases do not reduce the unconstrained demand.**
- **Unconstrained schedule would not benefit from EE and therefore price would not drop due to EE.**
- **No guarantee that price would rise to reflect stressed system conditions, but it may.**
- **Price may still drop due to other control actions taken.**
- **Impacts on price and possibly provides a signal of conditions in real-time.**
- **For April 7, this change would only have partially eliminated the large price drop.**

- **Change tools such that when any emergency control action is taken that reduces demand, an equivalent amount will be added to the market demand**
 - **Unconstrained schedule would not benefit from the demand reducing effects of any emergency control actions taken**
- **The resulting market price will not be lowered by emergency control actions and may or may not reflect the severity of system conditions.**

- **An after-the-fact price change provides no value to the market. A valid real-time signal is needed.**
- **Improved communication of emergency situations to market participants and others must be part of any solution.**
- **Lower demand due to control actions taken is legitimate and should not be added back to market demand.**
- **Market prices should reflect the severity of the emergency situation.**
- **IESO should be mandated to implement a long-term solution within a specified time.**
- **IESO should do further analysis of altering market schedule demand to better understand the price impacts.**
- **Demand response control actions should be enhanced and moved up in priority.**

- **Ideas?**

- **Proposal for MPWG work on determining a long-term solution:**
 - Discussion of possible solution options would be on the agenda for the next three MPWG meetings
 - At the last of these three meetings, the MPWG would be polled on a proposed solution
 - Proposal then moves on to next level(s) of stakeholder and IESO review