

From: BELL Brian -EM SUPPORT
Sent: Friday, September 19, 2008 3:06:21 PM
To: IESO Market Pricing Working Group
Subject: OPG Comments on Issue #40: Locational Marginal Pricing for Intertie Transactions

OPG offers the following comments on Issue #40, Locational Marginal Pricing for Intertie Transactions.

1) IESO has commented in their Sept 5 summary of the IESO Board's Decision regarding Enhanced DACP, "With this decision taken, the IESO will work with participants and Stakeholder Advisory Committee members to improve the current real time pricing model and remove barriers to achieving additional efficiencies in the Ontario electricity market."

With IESO's intention to review real-time pricing in Ontario, it would be counterproductive and wasteful of both IESO and participant time to consider changes to real-time pricing at the interties independent of a review of the real-time price within Ontario. OPG therefore requests that the work relating to Issue #40 be consolidated into the future work to review the current Ontario real-time pricing model. This coordination concern is heightened by the realization that introducing LMP at the Interties would be a non-trivial topic as it will impact many areas including the uniform price, Economic Efficiency, Import Offer Guarantees, Transmission Rights, and Wheel-Throughs.

2) Priority: The IESO has stated that SE-21 Enhanced DACP and SE-61 Dispatch Methodology and Process are two top priorities. OPG supports these two high priority projects. Recognizing that IESO has limited resources to focus on Market Evolution activities, OPG requests that IESO ensure that sufficient resources are allocated to SE-61 so that real progress can be made on dispatch issues in the immediate future. Issue #40 was only initiated in early 2008 whereas concerns regarding the erratic nature of dispatch have been identified since shortly after the market start. Work on Issue #40 should therefore not detract from work on SE-61.

3) Although the current real-time software produces locational prices or "shadow prices", these prices have not yet been used directly for settlement purposes and will likely require review to address such questions as what would be the appropriate price when violation penalty variables create prices beyond \$2000/MWh.

Regards,

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