

From October 19 to 22, 2006 there was a series of events that required the IESO to establish administrative prices for an aggregate of 112 intervals. This document provides a brief description of those events and the administrative prices that were established. In all cases, the prices were administered due to incorrect inputs to the dispatch algorithm.

Administrative pricing was performed in accordance with the provisions of Market Rule Chapter 7, Section 8.4A. The methods of price administration were to copy forward, copy backward or use a combination of the two based on the IESO's judgement of which price would best meet the guiding principle, that is, which price would best reflect the price that would otherwise have been produced by the market.

1. Administered Pricing Event – October 19, 2006 – 4 intervals

At 05:44 on October 19, 2006, a Remote Terminal Unit (RTU) failed at a generating station. This failure resulted in the output value of the station remaining static. The output of the RTU is used to calculate Ontario's primary demand. It was not until 06:50 that the IESO identified the problem by which time the primary demand was incorrectly calculated low by 375 MW.

Investigations by the IESO indicated that prices for hour ending (HE) 7 intervals 6, 7, 8, and 11 were impacted enough to require price administration. The IESO determined that the best solution was to copy HE 7 interval 9 backwards to HE 7 intervals 6 to 8 and HE 7 interval 12 backwards to HE 7 interval 11. These administered prices had the following impact on the Hourly Ontario Energy Price (HOEP).

	Original HOEP	Admin HOEP
HE 7 (4 intervals)	\$ 42.57	\$ 46.99

2. Administered Pricing Event – October 20, 2006 – 1 interval

A generating quantity went from 0 to 395 MW from 10:31 until 10:38, at which time the quantity was manually overridden by the IESO to 0 MW. Similar to Event 1, this appeared as an increase in primary demand. The price impact was evident in HE 11 interval 7. The IESO determined that the best solution for price administration was to copy HE 11 interval 6 forward to HE 11 interval 7. The prices for this interval were:

	Original MCP	Admin MCP
HE 11 (1 interval)	\$ 71.25	\$ 53.91

3. Administered Pricing Event – October 20, 2006 – 8 intervals

A 400 MW import transaction at intertie PQBE was scheduled for HE 9. This import was intended to physically flow on circuit B5D. Due to related transmission elements being forced from service, the IESO agreed to receive 350 MW of the import on circuit B31L. Due to an existing tool deficiency, the forced outage caused the removal of the entire 400 MW offer at PQBE. Although the flow was 350 MW, the number of remaining available offers at PQBE only supported 110 MW, which left the pricing algorithm deficient by 240 MW.

Investigations by the IESO indicated that prices for HE 9 intervals 4 to 11 were impacted enough to require price administration. It was determined that the best solution for price administration would be to copy HE 9 interval 12 backwards to HE 9 intervals 11 to 4. These administered prices had the following impact on the Hourly Ontario Energy Price (HOEP).

	Original HOEP	Admin HOEP
HE 9 (8 intervals)	\$ 38.30	\$ 32.47

4. Administered Pricing Event – October 21, 2006 – 33 intervals

When interchange transactions between the IESO and a neighbouring jurisdiction are manually curtailed, a code is applied to ensure the appropriate settlement is made with

the participant and the appropriate price is calculated. When the curtailment is caused by external security issues, the TLRe¹ code is used to ensure the proper settlement, price and failure charges are applied. In addition, the application of this code removes the offers/bids from the price setting algorithm. On October 21, the TLRi code was improperly applied to transactions which were curtailed for reasons of external security, leaving the offers/bids in the price setting algorithm resulting in an incorrect settlement charge and price calculation.

Investigations by the IESO revealed that prices for HE 13 intervals 1 through HE 14 interval 12 and HE 17 intervals 2 to 5 and 8 to 12 were impacted enough to require price administration. It was determined that the best solution for price administration would be to copy HE 12 interval 12 forward to HE 13 interval 1 to 12 and HE 15 interval 1 back to HE 14 intervals 1 to 12. For HE 17, HE 17 interval 1 was copied forward to HE 17 intervals 2 to 5, and HE17 interval 7 was copied forward to HE 17 intervals 8 to 12. These administered prices had the following impact on the Hourly Ontario Energy Price (HOEP).

	Original HOEP	Admin HOEP
HE 13 (12 intervals)	\$ 38.30	\$ 32.47
HE 14 (12 intervals)	\$ 38.80	\$ 33.28
HE 17 (9 intervals)	\$ 35.37	\$ 33.43

5. Administered Pricing Event – October 21 and 22, 2006 – 66 intervals

During Segregated Mode of Operation (SMO), generating units are removed from the Ontario grid and connected to the Quebec grid. The offers associated with these units are then removed from the price setting algorithm. For HE 24 on October 21 and HE 1 to HE 6 on October 22, 2006, 66 intervals required price administration because the price setting algorithm had the generating units that were connected to the Quebec grid in the schedule. This additional energy in the price setting algorithm had the effect of a downward pressure on price.

¹ The application of codes are found at– Market Manual 4.3 Section 1.7.2 and Appendix C http://www.ieso.ca/imoweb/pubs/marketOps/mo_RealTimeScheduling.pdf

Investigations by the IESO revealed that prices for HE 24 intervals 3 to 12, HE 1 interval 7 through to HE 4 interval 12 and HE 5 interval 2 through to HE 6 interval 3 were impacted enough to require price administration. The IESO determined that the best solution for price administration for October 21 would be to copy HE 24 interval 2 forward to HE 24 intervals 3 to 12. For October 22 the best solution was to copy HE 1 interval 6 forward to HE1 interval 7 through to HE 3 interval 6; to copy HE 6 interval 4 back to HE 5 interval 12 through HE 6 interval 3; and to copy HE 5 interval 1 back to HE3 interval 7 through to HE4 interval 12. These administered prices had the following impact on the Hourly Ontario Energy Price (HOEP).

	Original HOEP	Admin HOEP
HE 24 (10 intervals)	\$ 24.01	\$ 33.43
HE 1 (6 intervals)	\$ 20.68	\$ 22.11
HE 2 (12 intervals)	\$ 12.88	\$ 22.10
HE 3 (12 intervals)	\$ 0.08	\$ 17.60
HE 4 (12 intervals)	- \$ 0.27	\$ 13.10
HE 5 (11 intervals)	\$ 14.21	\$ 25.56
HE 6 (3 intervals)	\$ 24.84	\$ 27.29

Additional Compensation

To the extent that administrative prices do not adequately compensate market participants for following dispatch instructions, Market Rules Chapter 7, Section 8.4A.9 entitles market participants under certain conditions to additional compensation as calculated in section 8.4A.10. To request such compensation, the market participant must complete and submit application IMO-FORM-1398.

Additional Information

If you require pricing information to a 5 minute granularity please see the link below. If you have further questions, please contact Customer Relations at customer.relations@ieso.ca or (905) 403-6900 or toll free at 1-888-448-7777. Additional information can be found with respect to Administrative Pricing in the following locations:

Administrative Pricing October 19-22, 2006

- Administrative Pricing Quick Take:
http://www.ieso.ca/imoweb/pubs/training/QT4_AP.pdf
- Market Rules Chapter 7 Section 8.4A:
http://www.ieso.ca/imoweb/pubs/marketRules/mr_chapter7.pdf
- Administrative Pricing Event Correction Form 1549:
http://www.ieso.ca/imoweb/pubs/settlements/se_IMO_FORM_1549.xls
- Guidelines for Additional Compensation During Administrative Pricing:
http://www.ieso.ca/imoweb/pubs/marketOps/mo_IMO_GDL_0025.pdf
- Additional Compensation During Administrative Pricing Form 1398:
http://www.ieso.ca/imoweb/pubs/marketOps/mo_f1398_AdmnPriceAddnComp.doc
- 5 minute prices: <ftp://aftp.ieso.ca/pub/reports/PUB/DispUnconsEnergyPrice/>