Market Renewal Single Schedule Market (SSM)

Meeting 9: Response to Stakeholder Feedback

Following the January 30th Single Schedule Market stakeholder meeting, the IESO invited stakeholders to provide comments and feedback on a series of design options related to price formation.

The IESO received feedback from:
Market Surveillance Panel
Nalcor Energy
OPG

This feedback has been posted on the IESO stakeholder webpage for this engagement.

Note on Feedback Summary

The IESO appreciates the feedback received from stakeholders outlining their preferred approach or recommendation on different aspects of the SSM design. These have been noted and will be considered as the engagement moves toward making preliminary decisions. The IESO has provided a summary table below, which outlines specific feedback or questions for which an IESO response was required at this time.

Stakeholder comments and IESO responses

Design Element	Stakeholder	Feedback	IESO Response
Pricing for Loads	Market Surveillance Panel	Slide 45 states that the distribution 'should not materially impact marginal consumption incentives.' Yet slides 45 and 46 show that the disbursement would result in a zonal price after rebate that is virtually identical to the uniform price for zones that represent a substantial majority of load. I realize that hourly prices may be more varied than these monthly averages but these data suggest that the distribution will tend to push prices back toward the uniform price. Preserving marginal incentives will be a challenge.	The disbursement process aims to mitigate the impact of moving to a nodal/zonal price for loads compared to what they would have paid under the uniform pricing option. The IESO acknowledges that to achieve this goal, it is difficult to avoid impacting marginal incentives, as the distribution methodology relies on a measure of impact in order to proportion the disbursement accordingly. However, the IESO believes that the proposal to calculate the residual disbursement on a monthly basis provides a sufficient measure of separation and uncertainty between a load's consumption decisions in a given interval, hour or day and the amount of residuals that it would receive as a result of the proposed methodology. This separation and uncertainty should improve the marginal incentives to respond to locational prices.

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Pricing for Loads	Market Surveillance Panel	The only option that appears certain to preserve marginal incentives in most zones is option A, assuming that 'static allocation' means that the allocation is based on some fixed historical share and does not vary over time with consumption. While a fixed historical share does not adapt to changing consumption by the loads, it is precisely this non-response that preserves marginal incentives.	The IESO agrees that among the options presented, a static allocation would best preserve a load's marginal incentives. However, a static allocation does not align itself well with the aim of the residual disbursement, which is to reduce the difference between the uniform and zonal options for those loads in higher-priced zones. The IESO has proposed a method for in-zone allocation that measures and distributes the in-zone residual proportionally with the impact of a load's nodal/zonal price relative to what it would have paid under uniform pricing. To preserve marginal incentives, the IESO will rely on the process of the monthly disbursement among and within zones. This monthly allocation methodology means that, in any given month, a load will not be sure how much of the residual will be allocated to it or the zone it is a part of.
Pricing for Loads	Market Surveillance Panel	Options B distributes the residual in relation to consumption for the month, so in a high-priced zone the cost of consumption will be reduced by the amount of the residual, while in a low-	The IESO agrees that Option B should improve the marginal incentives to respond to locational prices, even if it is not eliminated.

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		price zone the cost of consumption will be increased. This will not eliminate the incentive, but it will reduce it. The amount of the residual distribution may not be known until the end of the month, but I would expect loads to develop some expertise at predicting residual amounts and then to respond to the net price after residual distribution.	
Pricing for Loads	Market Surveillance Panel	Option C distributes the residual in relation to expenditure for the month. This raises the same problem as in Option B but because it responds to expenditures it will reduce the incentive more than option B.	The IESO agrees.
General	Nalcor Energy Marketing	About pp. 38-39 on residual disbursement: Will exports from a zone be considered load in that zone in this context?	Exports will not be considered as load in the zone when considering residual disbursements. The residual disbursement methodology aims to mitigate the impacts on Ontario load of moving to zonal pricing while preserving the marginal incentives associated with locational prices. As such, the residuals will be allocated to Ontario load.
Must-Offer Requireme nts	OPG	In the SSM January 30 materials, the IESO proposed that non-dispatchable loads could annually opt to become price responsive (and vice versa). OPG would appreciate further details on how this	• The IESO is still in the process of considering this issue, which will be addressed as part of detailed design. This issue is linked to demand forecasting for the RT market and the

Design Element	Stakeholder	Feedback	IESO Response
		choice would affect requirements of dispatchable loads. Would dispatchable loads be prohibited from changing to non-dispatchable through the use of hourly bids (or lack of) as is allowed in today's market?	DAM.

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