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## IESO SENIOR MANAGEMENT UPDATE

To: Stakeholder Advisory Committee

Date: February 4, 2009

Subject: **Use of Cost-Benefit Analysis Results in Decision Making (SE-77)**

Information Item

Over the fall of 2008, the IESO engaged members of the Stakeholder Advisory Committee and the Market Pricing Working Group in a discussion of the appropriate decision criteria to apply when comparing the costs and benefits of proposed changes to market rules, market procedures, or market design. As part of these discussions, the IESO endorsed a structured approach to decision-making aimed at encouraging a general understanding within the industry as to how we would resolve the tensions that can exist between efficiency improvements and impacts on participants, providing more transparency and predictability of decision making, accelerating the decision making process, and resulting in “better” overall decisions.

Drawing on expert advice in cost-benefit analysis and public policy decision making, four possible decision criteria were identified and presented to both stakeholder groups.

Through this process, the IESO received valuable feedback and comments from all stakeholders on the merits of the different criteria. On December 3<sup>rd</sup>, 2008, the SAC held a working session to discuss these criteria in more detail. The discussion indicated that:

- there was little support for “formulaic” decision making, but all four perspectives were informative;
- the bulk of the effort in these analyses was in the cost benefit work – all four criteria applied the outcome of that work; and that
- these are tools to be used in decision making, but not as exclusive tests.

The IESO agrees with the general conclusions of the SAC members. All four criteria build on the cost-benefit analysis work, and all are informative. From the IESO’s perspective, those criteria that assist in balancing the impacts on participants, such as the Balancing Weights Approach, are especially helpful in decision-making.