

Stakeholder Engagement Plan SE-18

Import Transactions Role in Setting Real-Time Price



Revision 1 – February 6, 2007: Section V - Decision Making Steps and Schedule of Activities updated:

This stakeholder plan is on hold pending the outcome of the Day Ahead Market evolution stakeholder initiative SE 21 ...[more](#)

I. Introduction and Background

The market clearing price for energy and operating reserve in the IESO-administered market was established by the original market design to be the marginal resource cost based on the offers and bids submitted. Since imports and exports are scheduled an hour in advance and fixed for the entire dispatch hour, they cannot be dispatched on a 5-minute basis and are as a result not a marginal resource in real-time. Therefore, under this original market design premise, intertie transactions are not able to set the market clearing price (MCP) in the real-time market. However, imports and exports can be scheduled/dispatched within the timeframe of the pre-dispatch sequence and therefore can set the pre-dispatch price. This discrepancy in price determination raises concern over whether the prices are being calculated appropriately and fairly.

At the December 3rd, 2005 IESO Board meeting, consistent with recommendations received from stakeholders, the Board directed IESO staff to focus attention to resuming and advancing work with stakeholders on whether intertie transactions should be considered in the calculation of the Ontario Market Clearing Price.

Additional information can be found in the market pricing working group paper on this topic at the following link: http://www.ieso.ca/imoweb/pubs/consult/mep/MP_WG-20060120-price-calculation-methods.pdf. A summary of meeting presentations and actions related to MIO and ramp issues can be found at: http://www.ieso.ca/imoweb/pubs/consult/mep/MP_WG-20060120-ramp-rates-summary.pdf

II. Stakeholders

All stakeholders could be affected as changes may affect the market clearing prices and uplift charges.

III. Stakeholder Engagement Goals and Objectives

Goal

The goal of this stakeholder plan is to determine the inter-tie transaction role in setting the real-time price and to develop an implementation plan to address any changes.

Objectives

1. To provide stakeholders with the opportunity to provide input to the development of a recommended course of action.

2. To provide stakeholders with the opportunity to provide input on the impacts those changes to the market prices will have on their operations.
3. To provide stakeholders with the opportunity to provide input on the impacts those changes to the market prices could have on the IESO-administered markets.
4. To provide with the opportunity to review and provide feedback on potential implementation issues prior to their finalization.

IV. Stakeholder Engagement Approach and Methods

Any changes that affect pricing could have positive effects on one type of customer and the opposite effect on others. Reaching consensus on a proper pricing model is not anticipated. Stakeholder input will be used to assist us in a recommendation to the Board as to what course of action is best for the evolution of the market.

The stakeholder engagement approach will be consultation -- seeking stakeholder input throughout the decision making process involving continuous two-way face-to-face dialogue.

The stakeholder engagement methods to be employed will be a combination of a working group, open stakeholder session, and web-based postings with the opportunity for comment.

Stakeholder Working Group

The stakeholder working group will permit directly affected stakeholders to provide more detailed working level input so that the objectives can be met in a timely manner. The proposed working group is the current Market Pricing Working Group. This existing group consists of a representation of stakeholders as listed at: http://www.ieso.ca/IESOweb/pubs/consult/mep/MP_WG_MemberList.pdf.

Terms of reference for this working group have already been established and can be found at: http://www.ieso.ca/IESOweb/pubs/consult/mep/MP_WG_TermsOfReference.pdf

To the extent possible, members of the working group also represent the views of their constituency. The first meeting of the Market Pricing Working Group on this subject will recap past discussions, and review some of the pricing mechanics.

Working group meeting agendas and documentation from the meetings will be made public through the Market Pricing Working Group's pages on our web site. (http://www.ieso.ca/IESOweb/consult/mep_mp.asp). Notes from the meetings will be posted to provide an opportunity for all stakeholders that are not participating in the working group to provide comments. Comments can be provided directly in writing or through a sector representative.

Open Stakeholder Session

Most stakeholder sectors will be impacted by any resulting changes that affect market pricing. We propose an open meeting to specifically address impacts of the alternative solutions and their impacts on

market pricing. This session may be of particular interest to embedded commercial and industrial sectors that may not be as engaged through the working group.

Web-Based Postings

Web-based postings enable those non-represented sectors with a lower cost alternative to keep informed of the process and to provide input as desired. This will provide the opportunity for all interested stakeholders to offer feedback on any proposed changes as a result of the working group meetings.

This is a public consultation and feedback supplied will be posted on the IESO website including the identification of the participant.

V. Decision Making Steps and Schedule of Activities

Stakeholder Engagement Schedule	
Activity	Target Date
1. Market Pricing Working Group (MPWG) meeting to introduce item and educate group. Information provided on the ability of inter-tie transactions to set the real time market clearing price. Determine which (if any) data and/or simulations are needed for the June meeting.	Completed April 7, 2006
2. MPWG meetings to discuss alternative solutions and implications. Present data and simulation results on the ability of inter-tie transactions to set price. This feedback will form the basis of a final recommendation.	Completed Aug. 4 and Sept. 1, 2006
3. IESO management to update the Stakeholder Advisory Committee.	Completed Sept. 5, 2006
4. MPWG meeting to review written comments submitted by stakeholders.	Completed Oct. 6, 2006
5. Presentation to the Advisory Committee.	Completed Nov 1, 2006
6. This stakeholder plan is on hold pending the outcome of the Day Ahead Market evolution stakeholder initiative SE 21	To be determined

Process Evaluation

Stakeholders will be provided the opportunity to provide feedback on the effectiveness of the process in achieving stated objectives following each key stakeholder engagement event (e.g., Workshops, the Working Group process, etc.).