

To: IESO Stakeholder Engagement  
From: David Peterson, OPG  
Date: March 6, 2009

**Re: OPG's Comments on a More Efficient Uniform Price Scope and Issues**

OPG would like to provide a response to the memo issued to the MPWG on February 19, 2009 in which relevant issues were identified to be examined under the More Efficient Uniform Price Study.

The Ontario Market will undergo fundamental changes in the resource mix over the next few years. There will be a phase out of coal production along with a significant increase in renewable resources. The extent of the increase in renewable resources is not yet fully understood when considering the recently tabled Green Energy Act. Specific efficiency analyses associated with the issues identified in the memo will be challenging considering these uncertainties. Any use of historical data will be of diminished value. While each of the identified issues contributes to inefficiencies in the Ontario Market to some degree, the extent to which they will in the future will be difficult to quantify.

It appears to OPG that the majority of the identified issues are attributable to the lack of appropriate locational based market signals. The current unconstrained price setting methodology does not properly signal the true value of energy to either loads or generators. Other issues, such as uplifts, are a direct result of attempts to correct issues created by separate pricing and dispatch solutions. Further attempts to address each issue separately would likely lead to further inefficiencies and potential unintended consequences. For this reason, OPG is of the opinion that a comprehensive solution to these problems would be preferred over a patchwork of independent, but interrelated, initiatives. A significant market design change would be required to address these issues in a comprehensive manner.

Despite this, OPG recognizes that the IESO and Market Participants have limited resources available for market evolution initiatives. In OPG's opinion, utilizing these resources to address surplus base generation and dispatch issues will provide greater value to the market. Further, the enactment of the Green Energy Act makes these priorities of greater importance.

The IESO should solve the time and scheduling related problems. The market would benefit from adopting a 15 minute resolution to offers and dispatch. In addition, the scheduling of inertie transactions on the same 15 minute basis would improve market efficiency. Shortening the mandatory window to 60 minutes when coupled with a 15 minute market would allow market participants to be more responsive to changing market conditions. The effective integration of renewable resources will necessitate an increased responsiveness by market participants. OPG recommends that these areas receive priority attention over locational pricing efforts, at this time.

OPG looks forward to future discussions relating to this and other market evolution initiatives.