

Revised - Real Time Transaction Failure Charges

Intertie Traders Subcommittee
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Revised - Formula Construct

Pre-Dispatch **Ontario** is subtracted from Real Time

Ontario Adjusted Price:

Real-time Import Failure Charge:

= Min[Max[0, ((RT Ont MCP + Import Bias Adjustment factor) – PD Ont MCP) * MWh deviation], Max(0, RT Ont MCP) * MWh deviation]

Real-time Export Failure Charge:

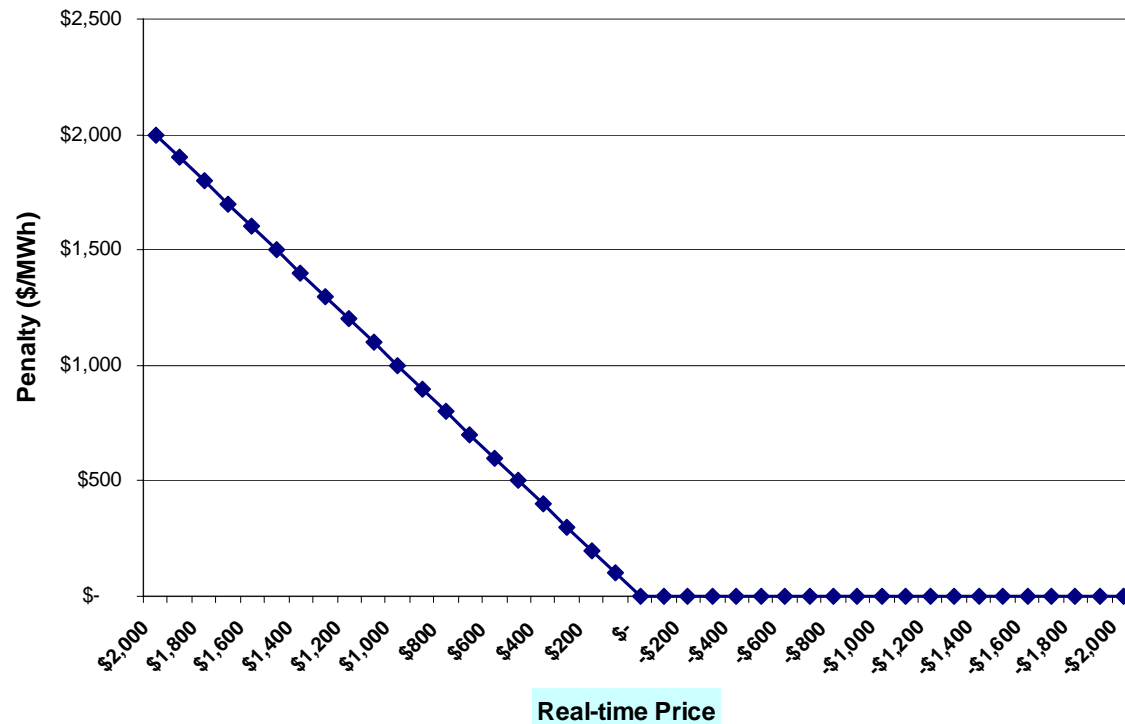
= Min[Max [0 ,(PD Ont MCP - RT Ont MCP - Export Bias Adjustment factor) * MWh deviation], Max(0, PD Ont MCP) * MWh deviation]

Why Ontario Price Instead of Zone Price?

- Example:
 - Ontario PD price is \$1900
 - Ontario RT price is \$2000
 - Zone A PD price is \$1910
 - Therefore ICP is +\$10 and zone A RT price would be \$2010, but is limited by MMCP to \$2000.
 - Failure charge using Ontario prices:
 - $2000 - 1900 = \$100$
 - Failure charge using zone prices:
 - $2000 - 1910 = \$90$
- To avoid failure charge anomalies with prices at or near MMCP, Ontario price is used.

Import Formula Function

Current RT Import Failure Charge (example: Ontario PD price = -\$500)
 $= \text{Min}[\text{Max}[0, ((\text{RT Ont MCP} + \text{Import Bias Adjustment factor}) - \text{PD Ont MCP}) * \text{MWh deviation}],$
 $\text{Max}(0, \text{RT Ont MCP}) * \text{MWh deviation}]$



Revised Compensation- Bias Adjustment Factor

- Bias adjustment factor is meant to lower the export settlement charge vis-à-vis the import settlement charge
- Some stakeholders have argued that the tendency for the real time price to be lower than the one hour ahead pre-dispatch price would result in an export charge that would discourage export trade
- IESO originally proposed to compensate **only** for methodological biases in calculation between the PD and the RT prices
- Now we propose to include **all factors** which contribute to PD-RT price differences
- IESO will monitor the market and system outcomes

Bias adjustment Factor - Calculation

- Bias adjustment factor = (median value of the pre-dispatch to real time price decreases) – (median value of the pre-dispatch to real time increases)
- Use of the median value compensates for both frequency and magnitude of bias
- Bias adjustment factor will be added to the pre-dispatch to real time price spread in the import failure charge and subtracted from pre-dispatch to real time price spread in the export failure charge.

Estimates of Bias Adjustment Factor

Calculations are based on data from market opening to the end November 2005

$$\text{Bias Adjustment Factor} = (8.02 - 3.91) = \$ 4.11$$