

Market Renewal FACT SHEET

Timing of Application

#14

The single schedule market (SSM) is one initiative in the Market Renewal's Energy work stream. A move to a SSM requires that market power mitigation be done before rather than after operation. However, there is a design choice around how often and how far ahead of operation this testing and market power mitigation is applied.

What is it?

System operators need to test for and, if necessary, mitigate market power. Currently the IESO handles market power mitigation after the real-time interval has occurred. The IESO reviews payments they have made to suppliers and consumers¹ and recoups a portion, if tests determine that market power mitigation is necessary.

In a SSM, market power mitigation is typically carried out before the real-time interval because it would be costly and disruptive to do it after the market operated. The evaluation of market power prior to market operation uses a look-ahead program to determine if market power mitigation is necessary. This process is applied to each resource participating in the market.

- If market power mitigation is required, that unit's offer price is set based on its Reference Price.
- If no market power mitigation is required, the offer price is unchanged.

To add an additional layer of complexity, many other markets allow generation resources to adjust their prices over the course of a day. This requires that the market power mitigation process be enabled on a continuing basis throughout the operating day to test for market power.

¹ Congestion Management Settlement Credits (CMSCs)

Why is it important?

There are trade-offs between how far in advance market mitigation is carried out, and the timing of market power mitigation so that the accuracy of LMPs is optimized. The further in advance of real-time that market power mitigation is applied, the more time there is for the system operator to carry out more detailed analyses of the market. However, a longer lead time increases the risk that real-time conditions may differ significantly from those forecast conditions which were employed in the mitigation process. For example, the look-ahead program may predict transmission constraints that may not be present in real-time. The result may be that units that were mitigated as a result of the application of the market power mitigation tests using predicted conditions would not have been mitigated if the tests had been applied using real-time conditions.

More information

For more information, please see Market Renewal Fact Sheets on Mitigation Process (#13) and Reference Levels (#15).