

Market Renewal FAQs

FOR LOCAL DISTRIBUTION COMPANIES (LDCs) AND THEIR CUSTOMERS
WHO PAY THE MARKET PRICE FOR ELECTRICITY

Improvements to the Wholesale Electricity Market

1 Why did the IESO implement changes to the wholesale electricity market?

These changes make the wholesale market more efficient. The renewed market improves the way electricity is scheduled and priced in Ontario, leading to prices that more accurately reflect the cost of providing it. These improvements bring Ontario in line with most North American wholesale electricity markets and pave the way for a more competitive future market, the integration and enablement of new technologies, and a rapidly growing electricity system.

2 What will be different in the renewed market?

The renewed market includes a day-ahead market, which will provide greater operational certainty to the IESO, Ontario's system and market operator, and greater financial certainty to market participants (generators, traders, and large users of energy) as it commits supply with more advance notice.

It also introduces local, or locational marginal, prices to better reflect the cost of electricity based on system conditions and the availability of transmission capacity. This change also helps drive a better understanding of where new supply is needed most as it shows the true cost of electricity at a given location. These prices only apply to those generators and some customers who participate in the IESO wholesale market.

3 Will there be savings from market renewal?

The renewed market is anticipated to achieve significant efficiency savings by increasing transparency and competition. While all consumers will benefit from these efficiencies, the impact of these savings will be spread across the entire market over a number of years and won't be noticeable on your bill. Savings in the renewed market will come from:

- more efficient scheduling for generators and other electricity suppliers and prices that better reflect the cost of supply and system needs
- the elimination of most out-of-market payments through local prices (or LMPs)
- increased financial and operational certainty for market participants

4 How will the renewed market impact reliability?

The renewed market will enhance reliability by securing generation and other forms of supply in a day-ahead market. There will also be improvements in the way the IESO schedules supply in the hours leading up to real-time operations. This will contribute to the resilience of the overall electricity system.

5 Does the renewed market offer new options to large energy consumers?

Market renewal introduces a new market participant category called a Price Responsive Load. This new customer category can take advantage of local prices by locking in day-ahead but still have the flexibility to consume energy without restrictions. More information about the Price Responsive Load is available on the IESO marketplace training pages.

Business As Usual for Wholesale Customers

1 How will market renewal impact the price businesses pay for electricity?

For commercial and industrial customers that pay the wholesale price through their local distribution company – the only change will be the process used behind the scenes to calculate market prices more competitive. Everything else stays the same.

- The wholesale price is the same no matter where they are in the province. LDC customers will not be billed for electricity based on locational marginal pricing
- The inverse relationship between the Global Adjustment and the wholesale price remains the same
- LDCs will continue to prepare their bills each month, including the market price in the “Wholesale,” “Commodity,” or “Energy” charge on the bill

Businesses who have a contract with a retailer will also see no change.

2 How are residential customers impacted?

Residential customers on the Regulated Price Plan will continue to pay Time-of-Use, Ultra-low Overnight or Tiered Prices set by the Ontario Energy Board.

Customers who pay for electricity through an electricity unit sub-meter provider will continue to pay for electricity based on their retail contract.

3 Has anything changed on my bill?

Consumers' electricity bills will look the same. The full commodity price for electricity will continue to be made up of the market price and the Global Adjustment (GA). The GA covers the cost of new electricity infrastructure, regulated rates paid to generators under contract and the IESO's Save on Energy conservation programs.

Since the wholesale market opened in 2002, the market price has been known as the Hourly Ontario Energy Price (HOEP). Post May 1, 2025, this price is known as the Ontario Electricity Market Price, or the Ontario Price for short.

4 Will my electricity bill still come at the same time?

Customers who pay for electricity through their local distribution company or electricity unit sub-meter providers will continue to receive monthly bills as they always have. The IESO settles the renewed market within the same timeframes, working with LDCs as they purchase electricity through the wholesale market and pass on those costs to their customers.

Please contact your LDC if you have any questions about your bill.

5 Do I have to do anything differently as a result of this change?

Consumers do not need to take any action.

Explaining the Ontario Price

1 How is the Ontario Electricity Market Price, or the Ontario Price, different from the HOEP?

The HOEP is a real-time price produced each hour based solely on the bids and offers from generators and other market participants to meet electricity demand. The Ontario Price is based on new market process that brings more certainty and transparency into Ontario's electricity system.

To calculate the Ontario Price, the market establishes a base price that reflects the cost of supplying electricity. That base price is adjusted depending on the transmission system's ability to deliver electricity throughout the province, creating more than a thousand local prices.

Local prices are then averaged to create a provincial hourly day-ahead price - known as the Day-Ahead Ontario Zonal Price (OZP) - and will be close to the final price on your bill. The Ontario Price is similar to the day-ahead price, but finetuned to adjust for real-time outcomes.

2 Will I pay a different price depending on where I am located?

No, unless you are among the relatively small number of large commercial and industrial consumers that participate directly in the IESO's wholesale market and have opted to pay the locational marginal price.

Almost all business consumers will continue to pay the same provincial price regardless of where they are located. Residential consumers on the Regulated Price Plan (RPP) will continue to pay either standard Time-of-Use, Ultra-low Overnight or Tiered Prices set by the Ontario Energy Board, based on the choice made by each RPP consumer (which they indicate to their LDC).

3 What are the components of the Ontario Price?

The Ontario Price comprises the Day-Ahead Ontario Zonal Price adjusted by the Load Forecast Deviation Adjustment (LFDA). The LFDA is an adjustment based on differences between the day-ahead forecast and actual demand and the price the market pays to account for those differences. The Ontario Price is calculated by adding the Day-Ahead OZP and the LFDA, which can be positive or negative, for each hour.

4 How can I find the Load Forecast Deviation Adjustment (LFDA)?

The LFDA is available two weeks after the fact and is updated daily on the IESO site. A monthly report is also posted.

Following Wholesale Price Trends

1 The Hourly Ontario Energy Price (HOEP) was updated every hour. When is the final Ontario Price available?

The average monthly Ontario Price is posted on the IESO web site roughly two weeks after the close of each month. Most businesses will see the Ontario Price as their commodity cost on the bill based on their actual consumption.

The Ontario Zonal Price - the best indication of the final price on your bill - is available on the IESO Power Data page - and updated every afternoon for the next day.

2 How can I monitor the market price throughout the day?

The Day-Ahead OZP gives consumers a reliable signal regarding the price for the upcoming day. The IESO posts the next day's prices on the Power Data page by mid-afternoon each day. This price is not expected to vary materially from the Ontario Price, the final price businesses will see on their LDC bill.

The day-ahead price creates more opportunities for businesses to manage their electricity use by providing greater certainty about what price they can expect to pay.

3 How will the real-time price impact my electricity costs?

The real-time price is not expected to have a significant impact on the final price. Even if there are noticeable differences between the day-ahead and real-time prices, this should not be seen as an indication of how much you will pay on the bill from your LDC. The Real-Time OZP is applied to only a small amount of total consumption on the grid and is an input to the adjustment (the LFDA) used to calculate the Ontario Price.

Global Adjustment and Other Charges

1 Traditionally, the Global Adjustment (GA) is lower when the HOEP is higher, and vice-versa. Will that relationship continue and if so, how will market renewal impact the GA?

As market renewal is driving efficiencies across the entire electricity system, it is expected that these efficiencies will also help reduce Global Adjustment costs over time. The inverse relationship between the Global Adjustment and the wholesale electricity price, however, will continue.

Price trends from hour-to-hour and day-to-day will stay the same as the fundamental dynamics that have underpinned Ontario's wholesale market for more than twenty years haven't changed.

2 What changes will there be to the Wholesale Market Service Charge?

There are minor differences in the calculation of the wholesale market services charge as some of the costs such as line losses and transmission congestion payments are now included in the calculation of the market price. The Ontario Energy Board sets this charge, which includes a variety of different market-related costs, such as the IESO's fees to operate the market.