

# Terms of Reference

## Market Pricing Working Group



### 1. Introduction

The Market Pricing Working Group provides a forum where stakeholders can raise and discuss concerns and issues relating to price determination in the IESO-administered markets, or other market-related issues as warranted, and possible options for their resolution. The IESO will use the Market Pricing Working Group as a primary vehicle for soliciting detailed stakeholder advice on specific changes or enhancements that are planned or contemplated.

The working group provides advice to the IESO staff. The resulting discussion papers, background information and other material may be used by staff to consult more broadly on policy issues through the Stakeholder Advisory Committee and other stakeholder forums. The results of this broad consultation are used in advising the IESO Board and in supporting the IESO Technical Panel on market policy and rulemaking.

These terms of reference are intended to provide guidelines for the Market Pricing Working Group and should be considered a working document that can change based on stakeholder feedback and evolving circumstances.

More information including information from previous meetings can be found at:  
[http://www.ieso.ca/imoweb/consult/consult\\_forums.asp](http://www.ieso.ca/imoweb/consult/consult_forums.asp).

### 2. Purpose

The Market Pricing Working Group will provide stakeholders the opportunity to include detailed working level input in an efficient and timely manner and to provide advice directly to the IESO. This advice may be used by the IESO to revise procedures, protocols and/or market rules as required.

All issues identified to the Working Group may not be solved in this Working Group. Some of these issues may be assigned to adhoc or existing working groups.

### 3. Objective

This Working Group will provide stakeholders with the opportunity to:

- Discuss, analyze and document the determination of prices (~~and other issues as warranted~~) in the IESO-administered markets with the purpose of gaining a shared understanding within the Market Pricing Working Group and for communicating to the broader stakeholder population.
- To assemble and maintain an inventory of issues related to price determination and other issues as warranted as identified by the IESO and stakeholders along with the nature and potential impacts of those issues on stakeholders and/or market operations. This will aid the Working Group in considering the relative importance and priority of issues and their resolution.
- To identify and provide advice on potential solutions to specific pricing issues through analysis and discussion. Resolutions to issues recommended by this Working Group will recognize the difficulty and magnitude required for implementation (extent of process and systems changes for participants and/or the IESO).

### 4. Composition of the Working Group

Participation is open to all stakeholders. Attendance at working group meetings is limited to 2 representatives per organization. ~~T, however~~ the IESO reserves the right to manage meeting/teleconference participation to ensure effective interaction.

Working Group membership is posted on the Stakeholder Engagement web pages.

### 5. Organization and Administration of Meetings of the Working Group

- (a) IESO staff will chair the Working Group.
- (b) The Chair will ensure all meeting support material is circulated in advance to Working Group members via email, and posted. The intent is to provide meeting materials one week in advance along with a draft agenda. The agenda will state the expected Working Group action for each agenda item.
- (c) Attendance may be in person or via teleconferencing facilities. Participation is voluntary. There is no minimum quorum however if attendance is low for a planned meeting, then the Chair may postpone the meeting.
- (d) The Chair, or a delegate, will take meeting notes including actionable items and their resolution. Draft meeting notes, including any accompanying written submissions, will be distributed to all Working Group members within one week following a meeting. Working Group members may provide comment on the draft meeting notes to the Chair, prior to or at the next working group meeting. The Chair will finalize the minutes and will then distribute the minutes and related written submissions to the Working Group members and will post those materials on the IESO web site.

- (e) The chair may act as the facilitator for the meeting, or a separate independent facilitator may be used.
- (f) The Working Group will adhere to the stakeholder engagement principles:  
<http://www.ieso.ca/imoweb/pubs/consult/se/Stakeholder-Engagement-Principles.pdf>
- (g) All members are expected to come prepared to the meeting by having reviewed the materials provided in advance.
- (h) All members are to provide any written materials to the IESO-members, sufficiently in advance of the meeting so the IESO can distribute the materials to all members.

## 6. Normal Order of Meeting

- (a) ~~(a)~~—The Chair shall ask attendees to introduce themselves to determine who is present, including those participating remotely.
- (b) ~~(b)~~—The Chair will recap the notes of the previous meeting and deal with any outstanding action items.
- (c) ~~(c)~~—The Chair shall note any new items that are on the agenda in the order that they appear on the agenda. Working Group members may request for additional items to be added under new business on the agenda.
- ~~(d) —The Chair shall ensure that any presenter/speaker is able to present his/her material and that the participants have an opportunity to seek clarification questions only during the presentation. Opinions, comments, and debates will wait until the conclusion of the presentation.~~
- (d) ~~(e)~~—Comments or concerns raised by stakeholders shall be written on flip charts for all in attendance at the meeting to see, or captured in the meeting notes. The Chair, moderator, facilitator, or note-taker should seek confirmation that the notations or notes accurately summarize the issuecomments/concerns. ~~The Chair will check with the person making the comment to ensure the point has been adequately captured.~~
- (e) ~~(f)~~—All members' comments will be documented in the notes and posted. The Chair will inform members that all views will be fully communicated to decision makers prior to decisions being made.

## Addendum

### **Decision Criteria**

The following criteria are provided to assist in evaluating possible options for resolution to issues addressed by the Market Pricing Working Group.

#### **Allocative Efficiency**

~~Allocative efficiency refers to maximizing the efficiency of the resources currently available to the market.~~ Allocative efficiency is maximized when power is being provided to those most willing to pay at the lowest cost. If the cost of producing the energy exceeds the value placed on the energy by those consuming it, efficiency is reduced. Allocative efficiency is achieved through appropriate real-time dispatch, response to real-time price by non-dispatchable loads and generators, and through anticipation of prices through appropriate bids and offers by dispatchable participants, including importers and exporters, and through maintenance scheduling decisions.

#### **Dynamic Efficiency**

The market design should signal investment in efficient technology choices in a timely manner. Signaling the value of various products such as reserve energy and how they vary throughout the day will provide the market with accurate information to encourage investment.

#### **Fairness**

The market design must provide ~~equal~~, non-discriminatory access and ~~equal and non-discriminatory~~ treatment for all participants.

#### **Reliability**

The market design should, to the extent possible, enhance the reliability of Ontario's electricity system. The market should provide signals and incentives for appropriate behaviour during immediate reliability issues and to ensure long term capacity in the market.

#### **Transparency**

The market design must be well understood by participants. Participants should be able to infer system conditions from market signals, and be able to predict market signals for a given set of system conditions. While the market design may evolve over time, it is important that changes are understood to keep from undermining a stable basis for contracts.

#### **Robustness**

At the most basic level, robustness means the market design should be sufficiently comprehensive so as to ensure that only extraordinary circumstances can upset the functioning of the market in the short and long term.

The market design should be able to support future market initiatives without major modification.