



Market Pricing Working Group

Market Evolution Program

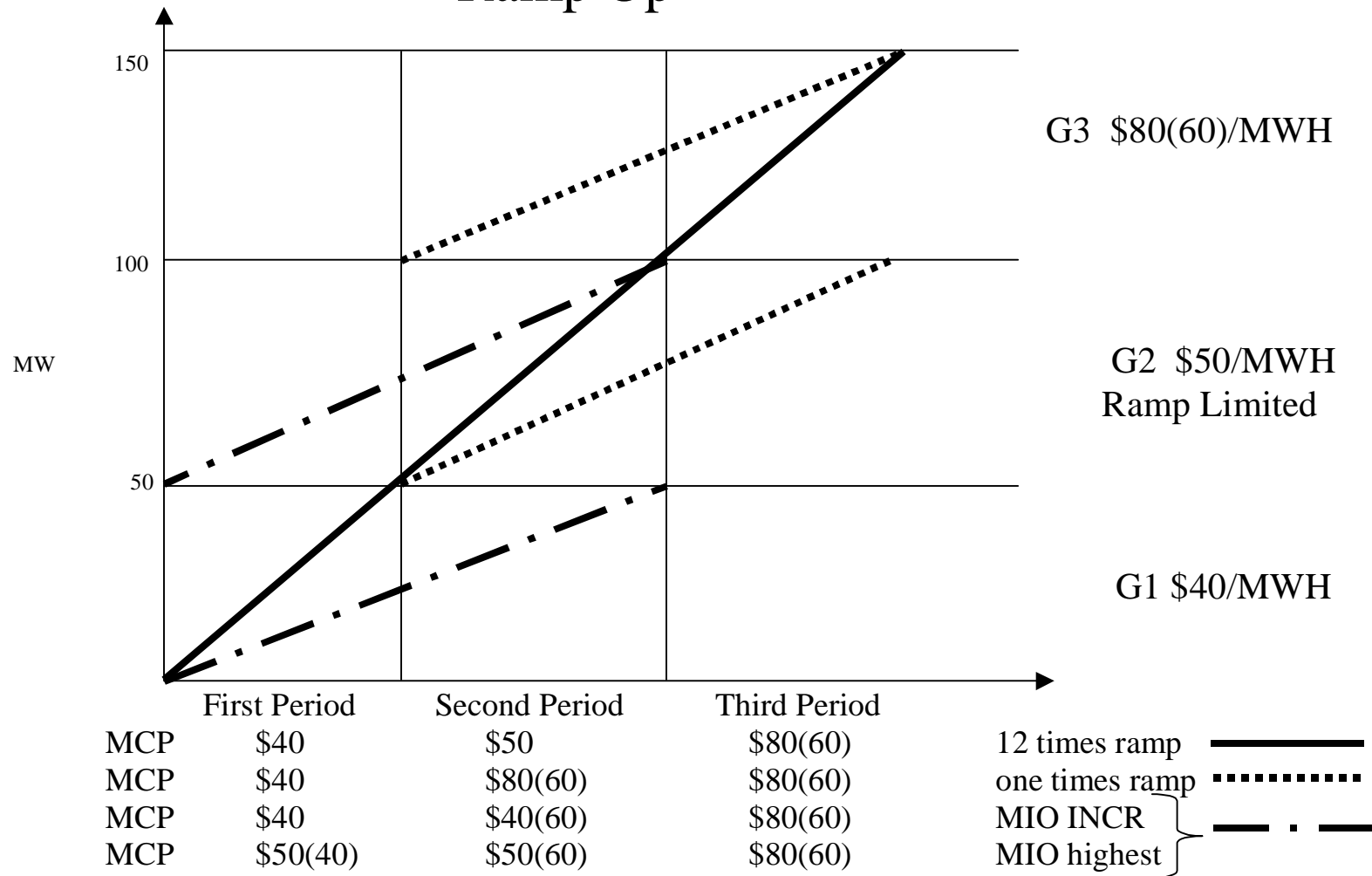
Meeting #11

November 26, 2004

8:30am - 12:00pm

MIO Pricing Example

Ramp Up





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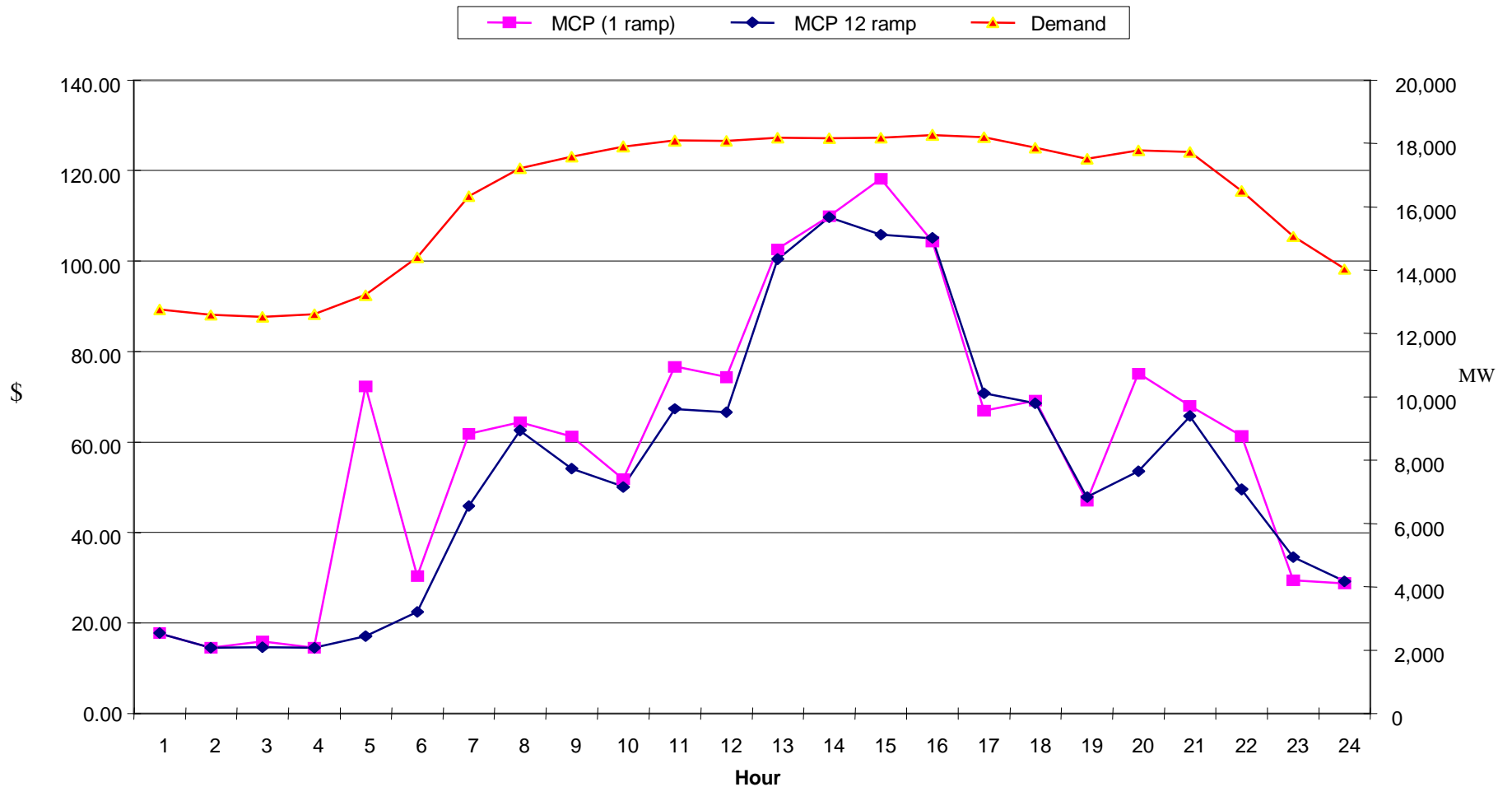
Market Evolution Program

Price Analysis
May 10, 2004 to May 16, 2004



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Monday, May 10, 2004

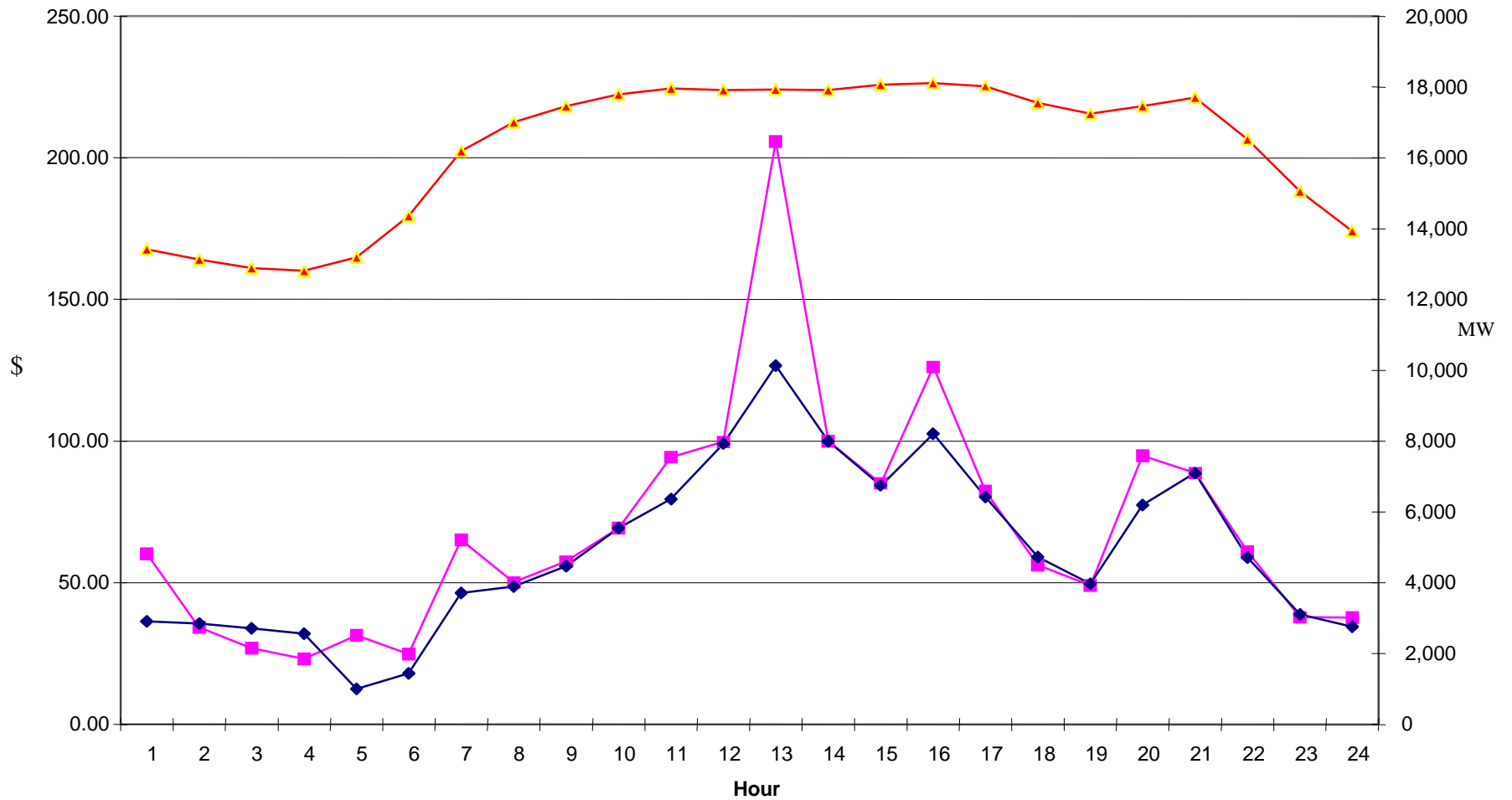




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Tuesday, May 11, 2004

■ MCP (1 ramp) ◆ MCP 12 ramp ▲ Demand

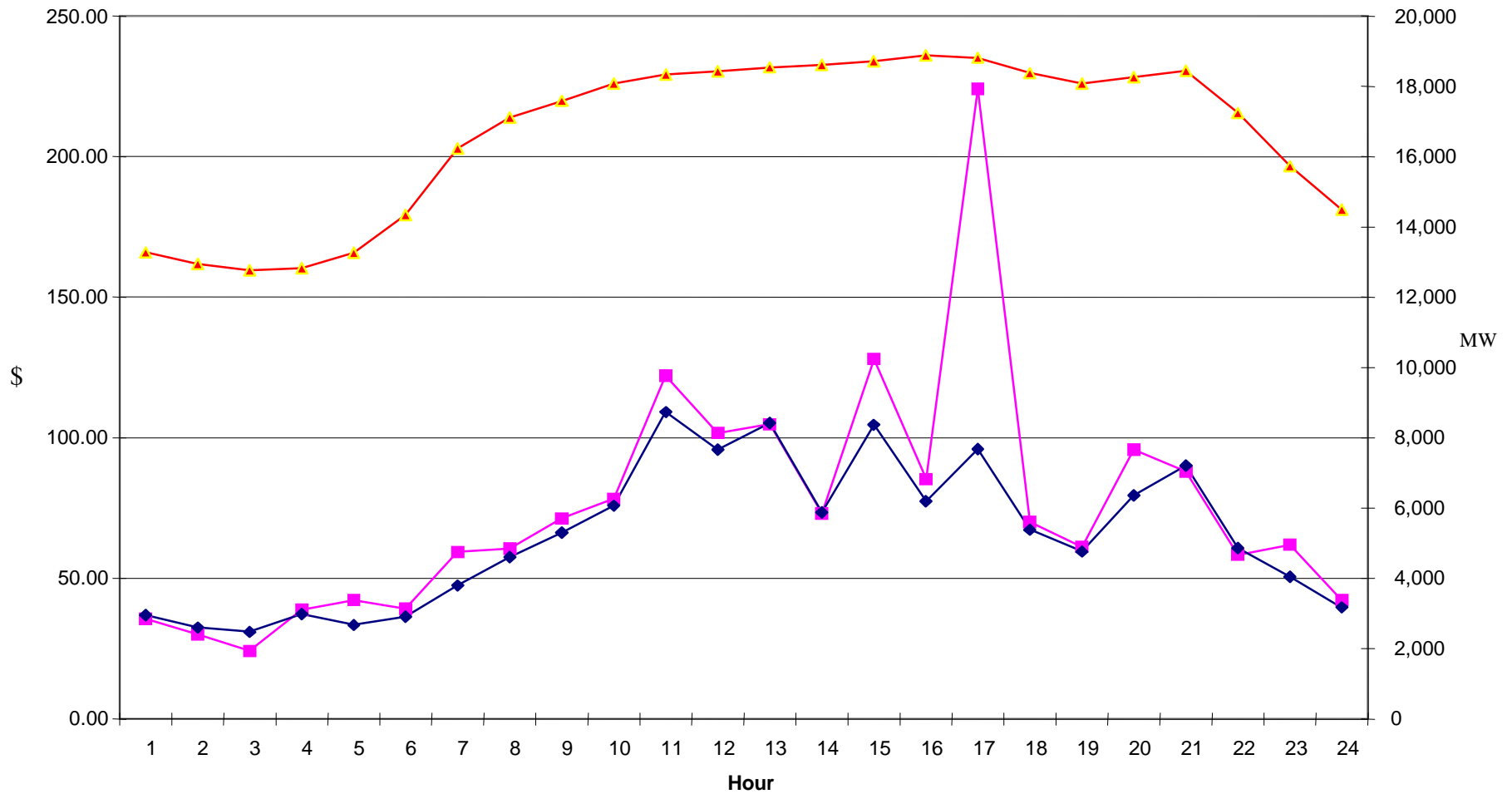




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Wednesday, May 12, 2004

■ MCP (1 ramp) ◆ MCP 12 ramp ▲ Demand

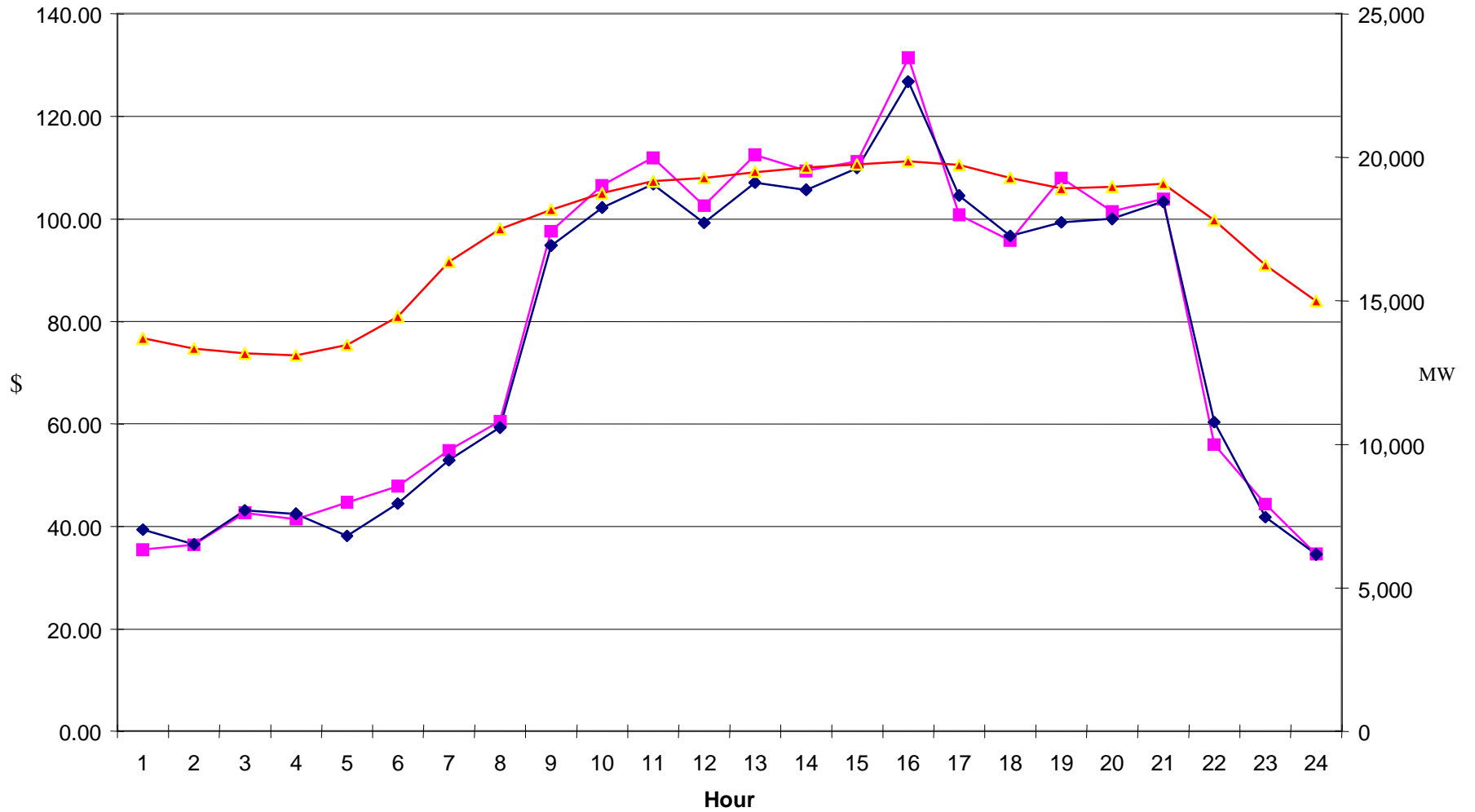




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Thursday, May 13, 2004

■ MCP (1 ramp) ◆ MCP 12 ramp ▲ Demand

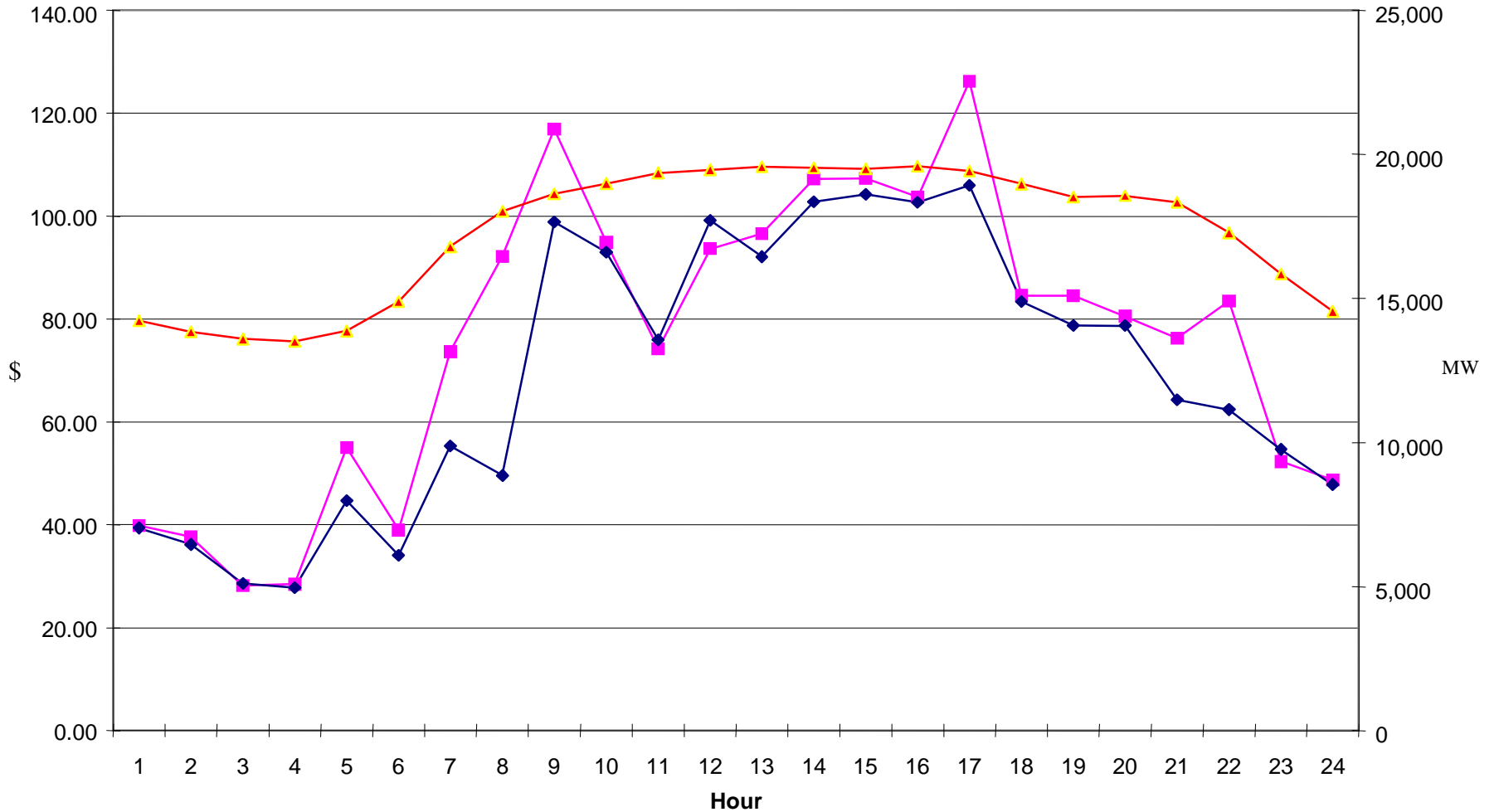




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Friday, May 14, 2004

■ MCP (1 ramp) ◆ MCP 12 ramp ▲ Demand

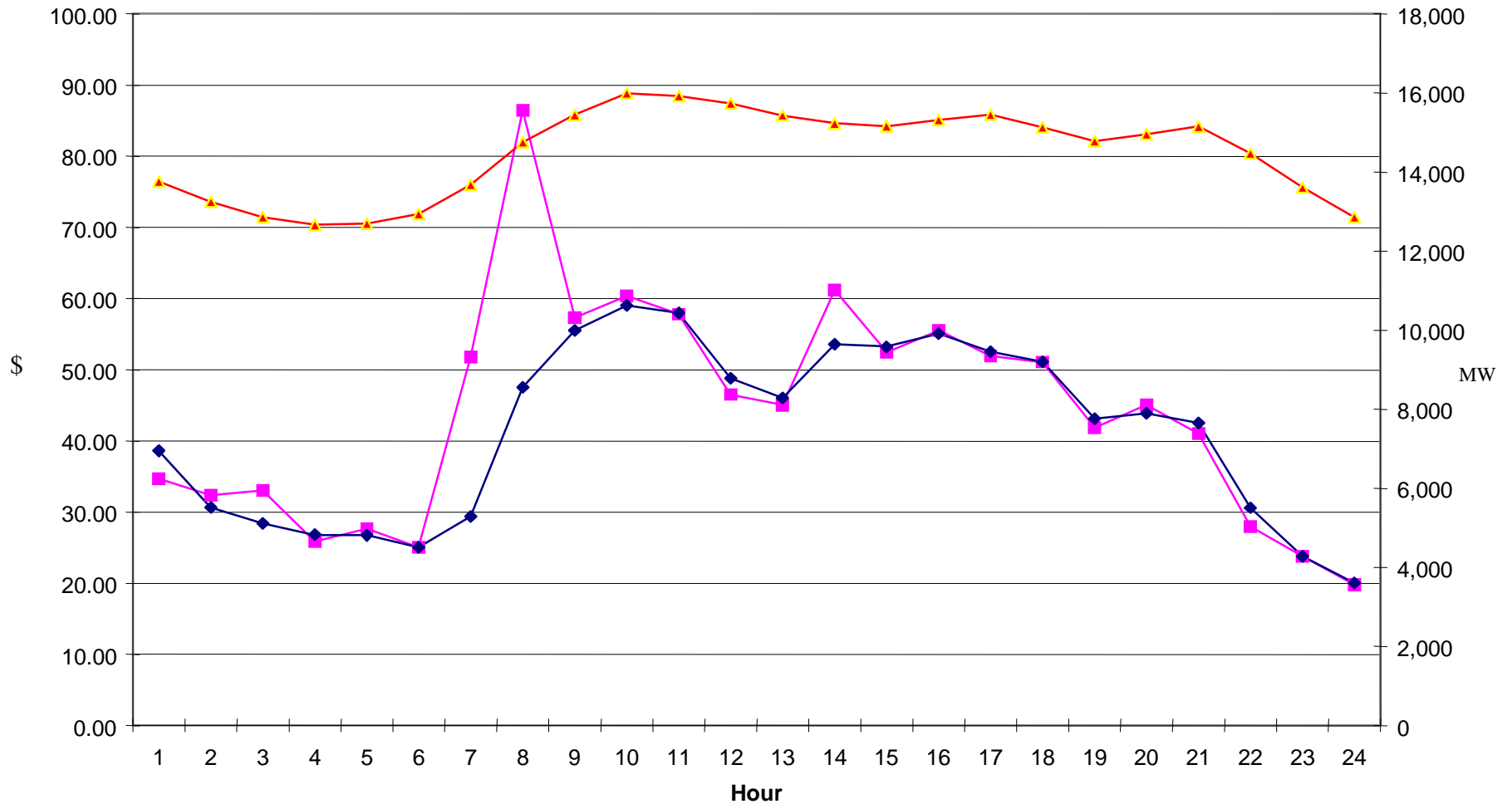




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Saturday, May 15, 2004

■ MCP (1 ramp) ◆ MCP 12 ramp ▲ Demand

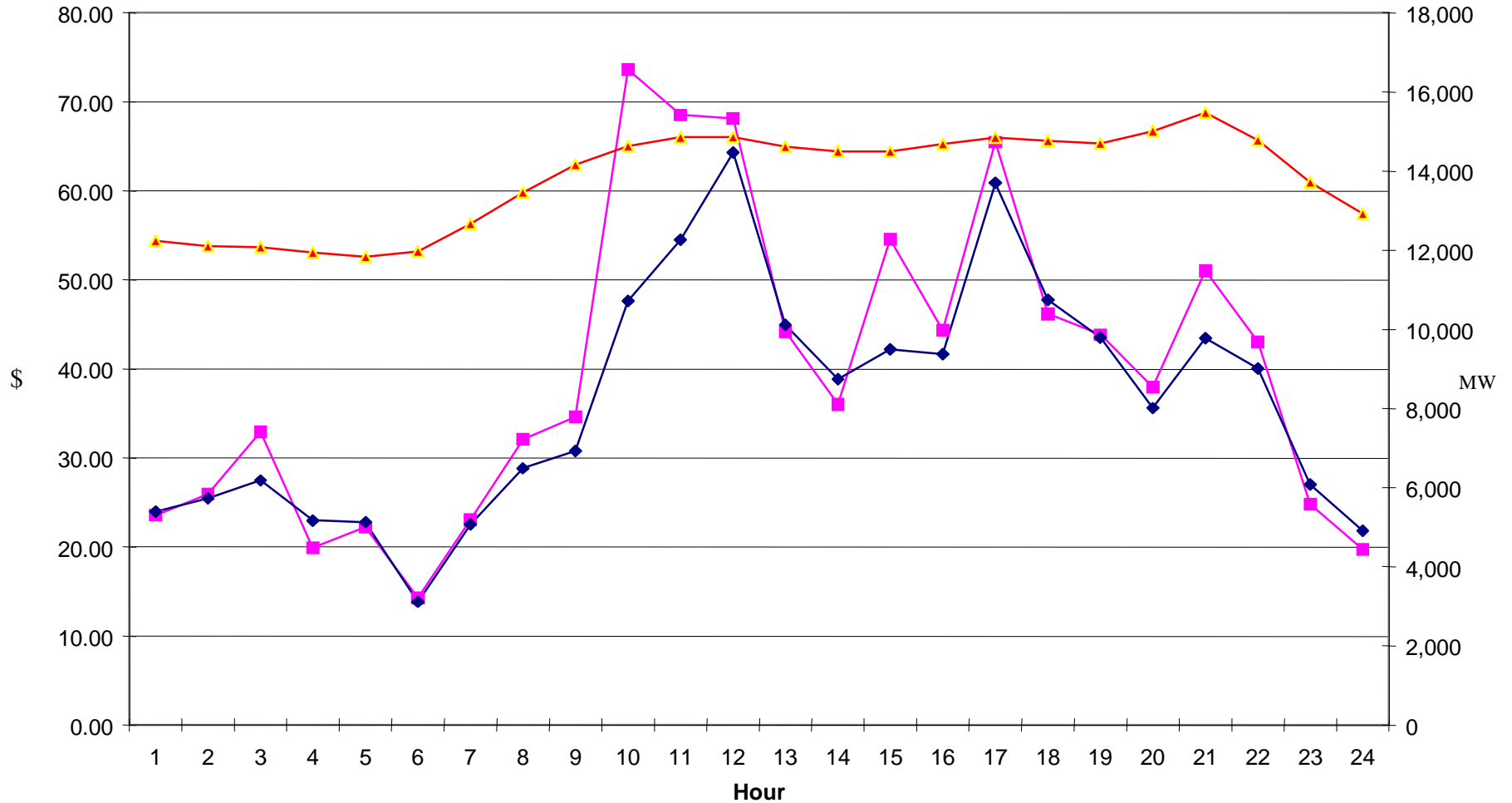




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Sunday, May 16, 2004

■ MCP (1 ramp) ◆ MCP 12 ramp ▲ Demand





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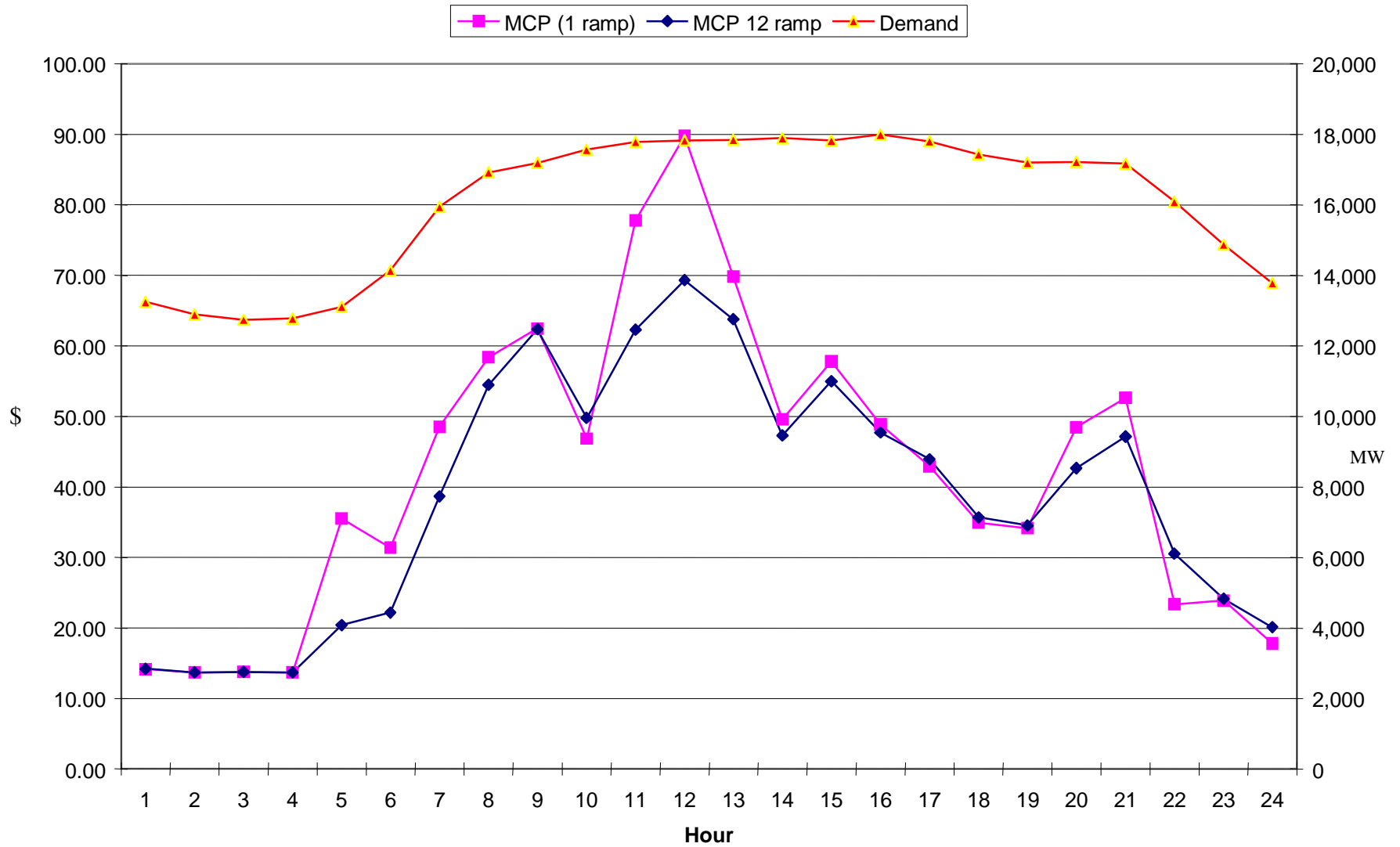
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Price Analysis June 1, 2004 to June 7, 2004



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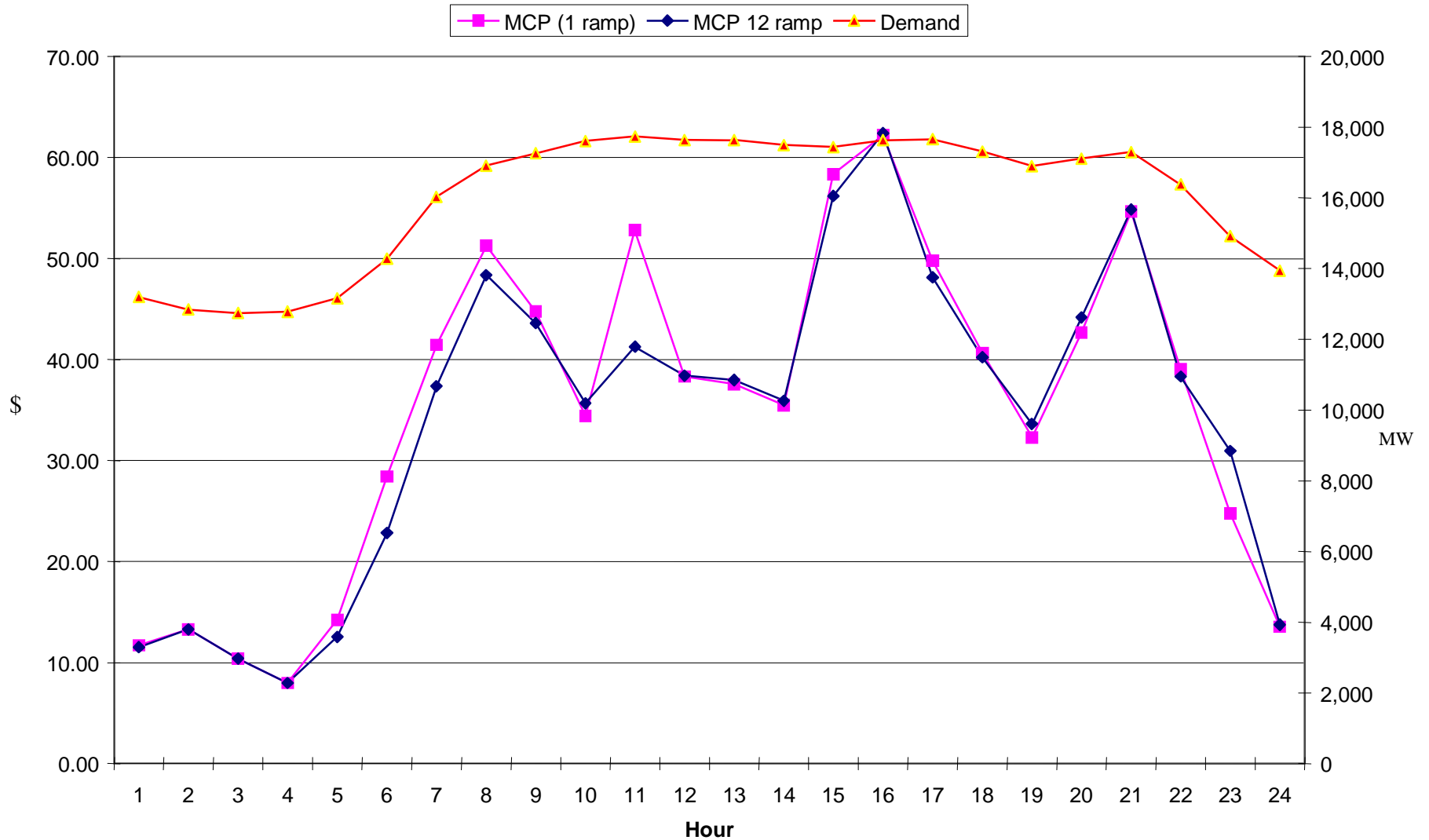
Tuesday, June 1, 2004





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Wednesday, June 2, 2004

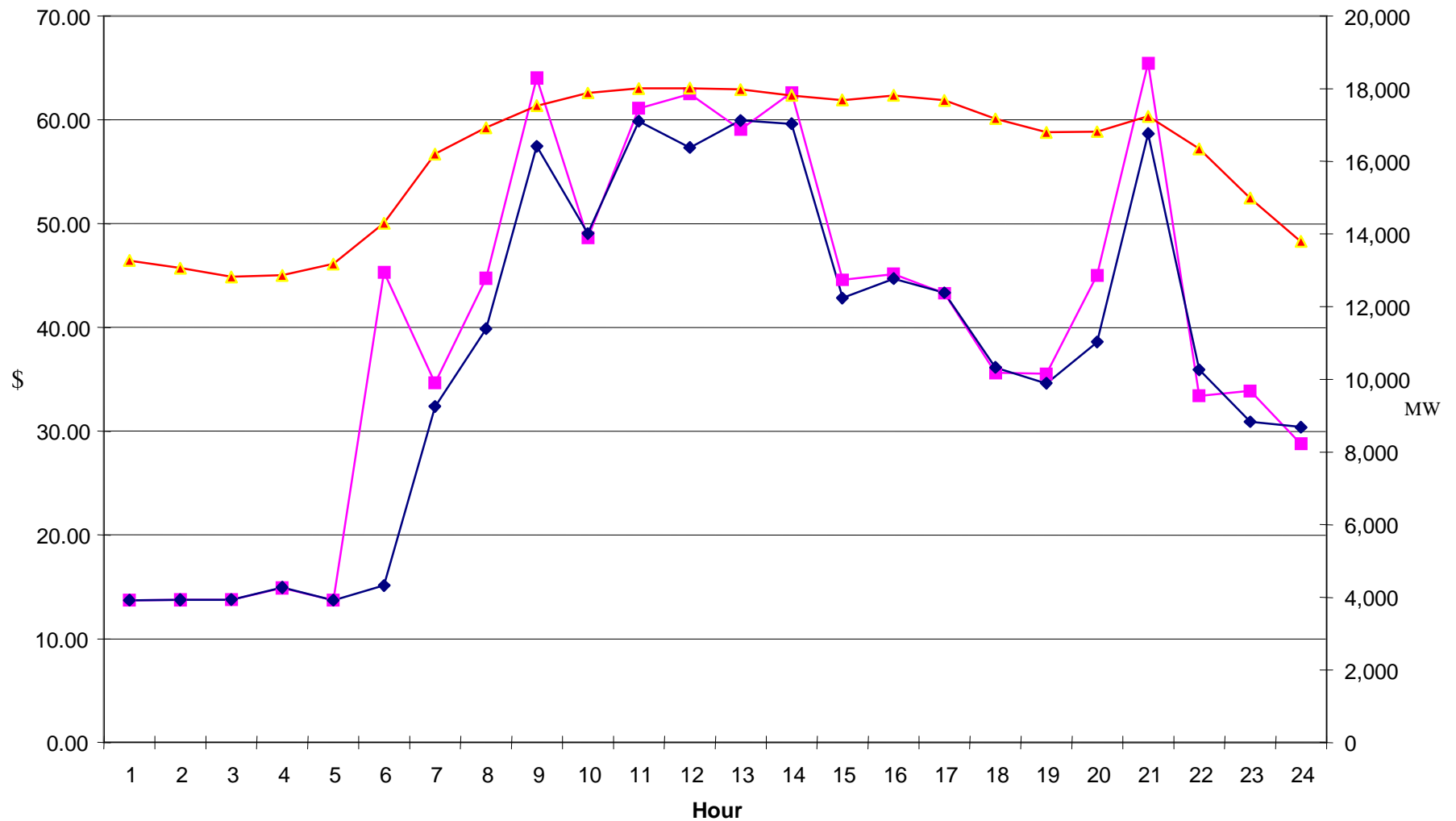




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Thursday, June 3, 2004

■ MCP (1 ramp) ◆ MCP 12 ramp ▲ Demand

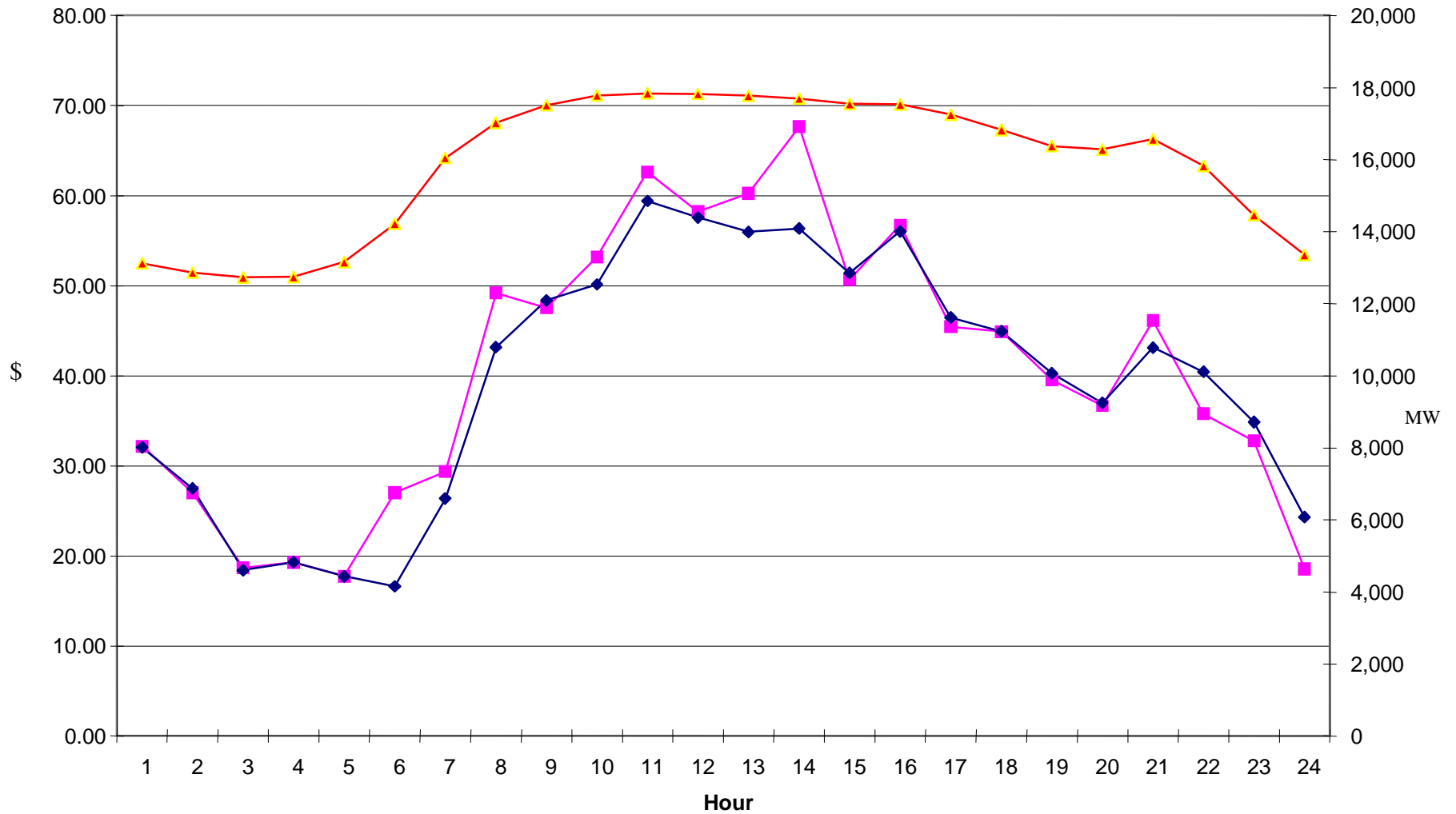




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Friday, June 4, 2004

■ MCP (1 ramp) ◆ MCP 12 ramp ▲ Demand

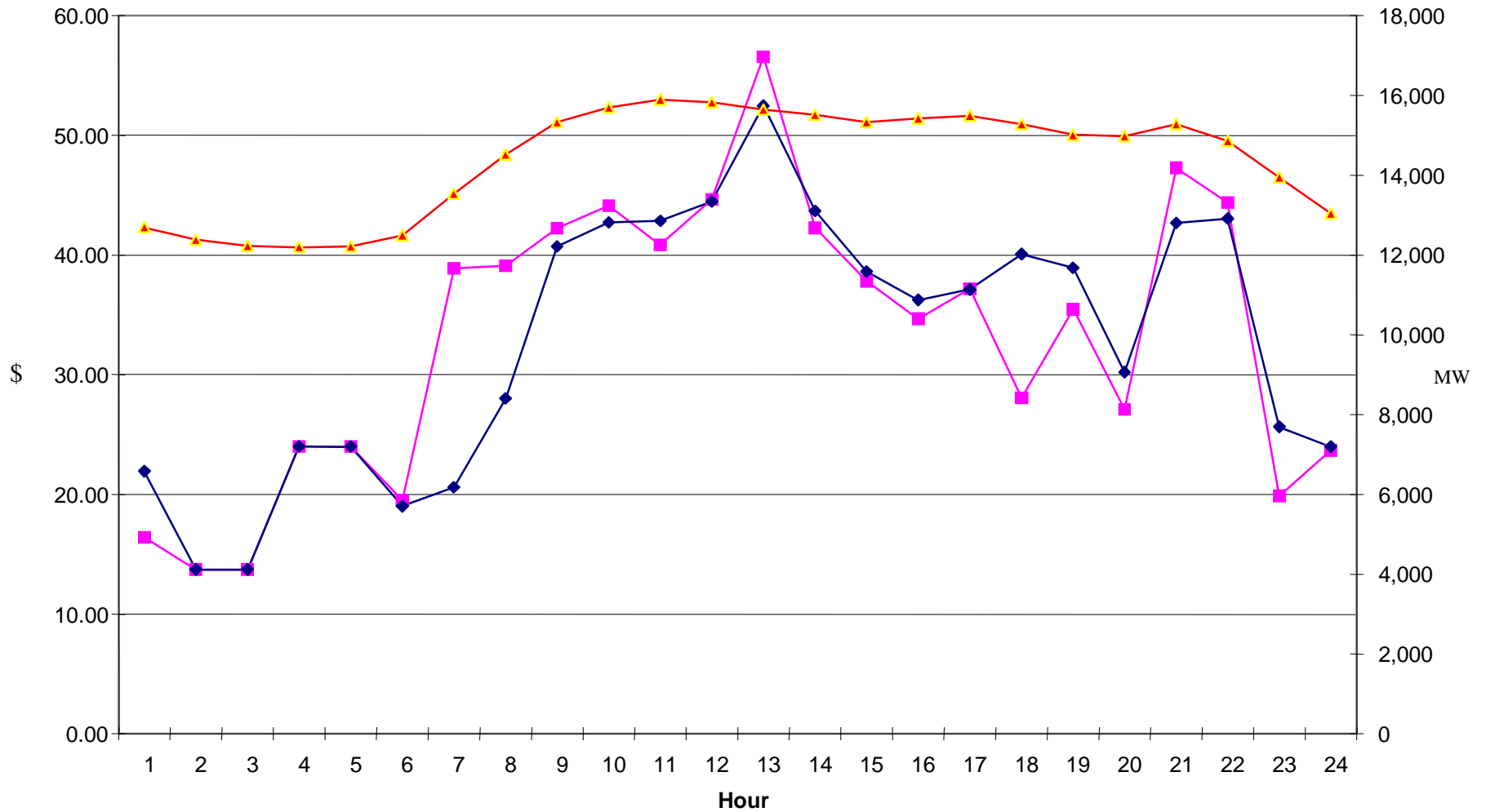




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Saturday, June 5, 2004

■ MCP (1 ramp) ◆ MCP 12 ramp ▲ Demand

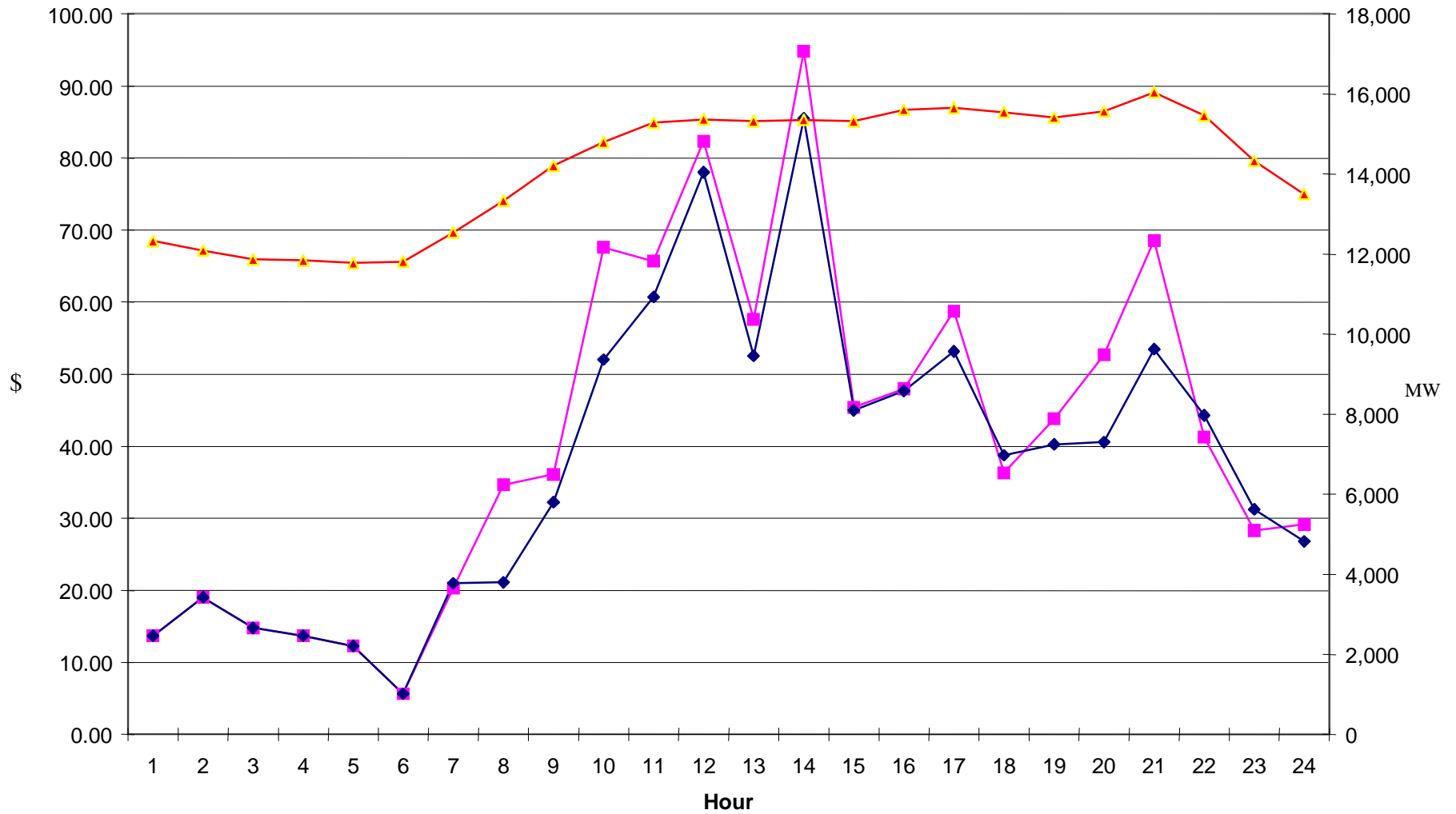




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Sunday, June 6, 2004

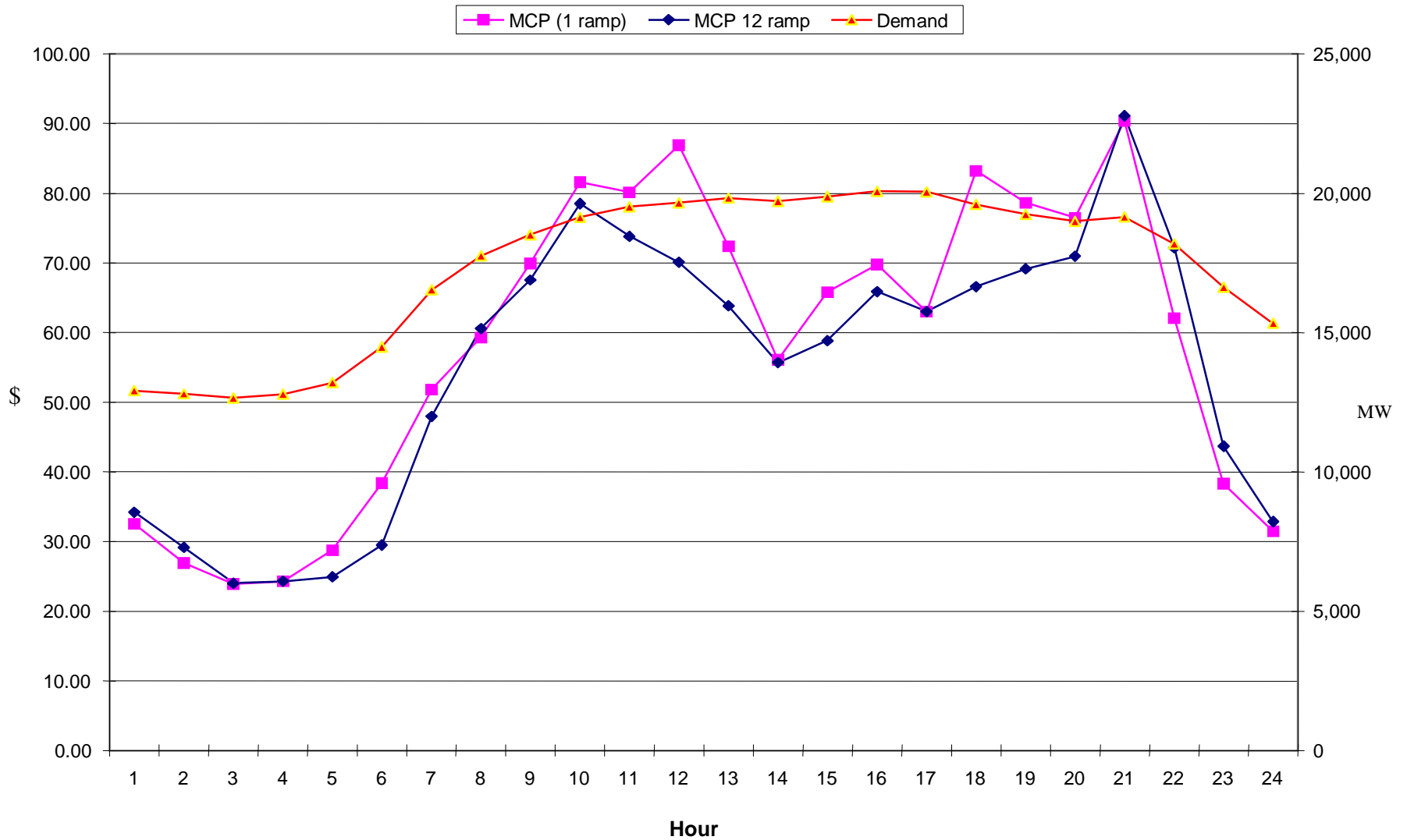
■ MCP (1 ramp) ◆ MCP 12 ramp ▲ Demand





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Monday, June 7, 2004





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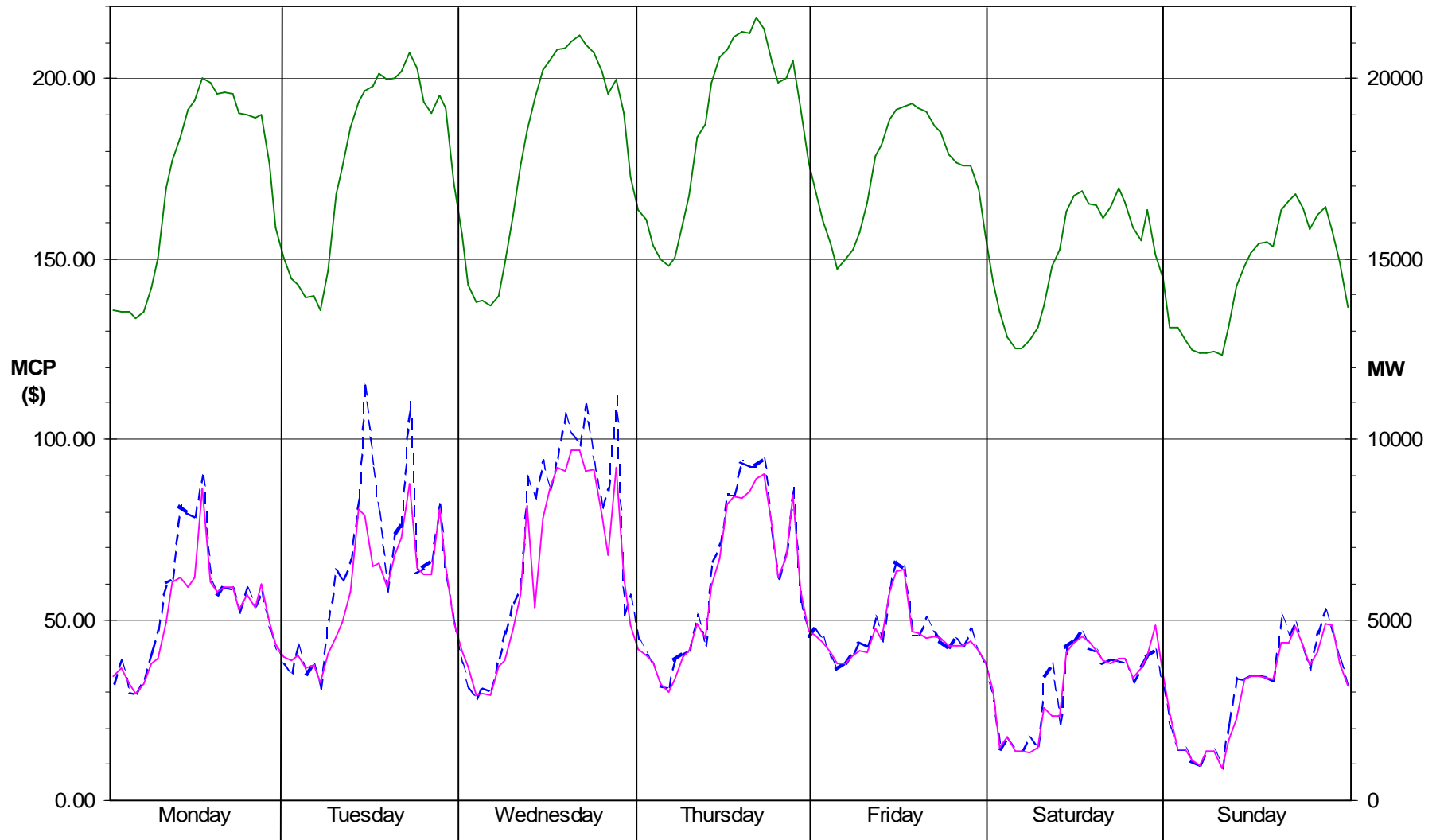
Price Analysis July 19, 2004 to July 25, 2004



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Analysis of MCP 1X Ramp vs. MCP 12X Ramp for the week of July 19, 2004 to July 25, 2004

--- MCP 1X Ramp --- MCP 12X Ramp --- Ontario Market Demand Constrained (MW)



Hourly Interval from July 19, 2004 to July 25, 2004

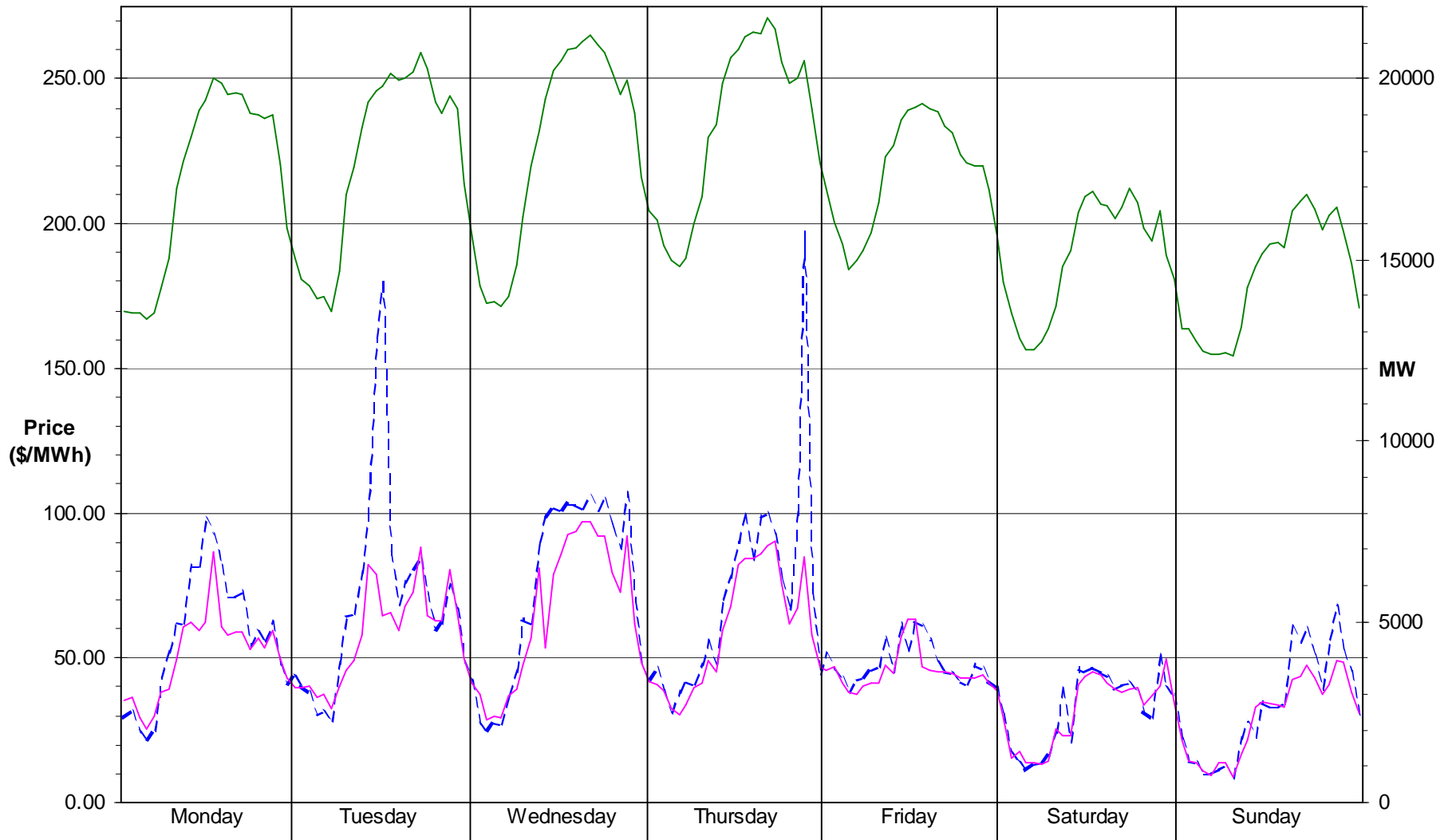


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Analysis of Prices for the week of July 19, 2004 to July 25, 2004

--- Richview LMP (\$) --- HOEP (\$) --- Ontario Market Demand Constrained (MW)

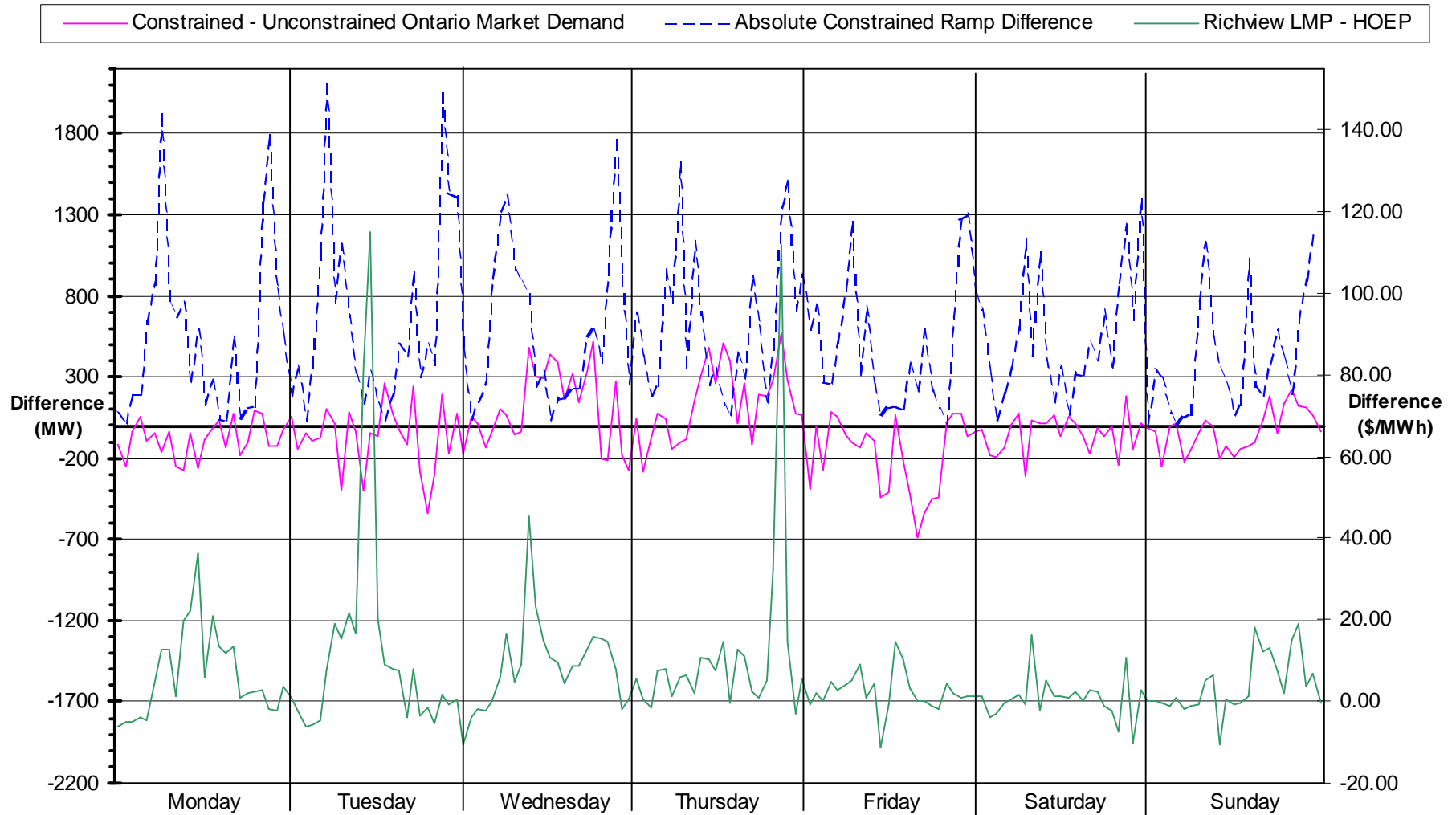


Hourly Interval from July 19, 2004 to July 25, 2004



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Comparison between Richview LMP & HOEP, Constrained & Unconstrained Ontario Market Demand, and Ramp Difference per Hour for July 19-25, 2004



Hourly Interval from July 19, 2004 to July 25, 2004

GWA:	Arithmetic Avg \$52.62, Weighted Avg \$56.09
LMP:	Arithmetic Avg \$54.89, Weighted Avg \$58.57
HOEP:	Arithmetic Avg \$48.33, Weighted Avg \$51.14



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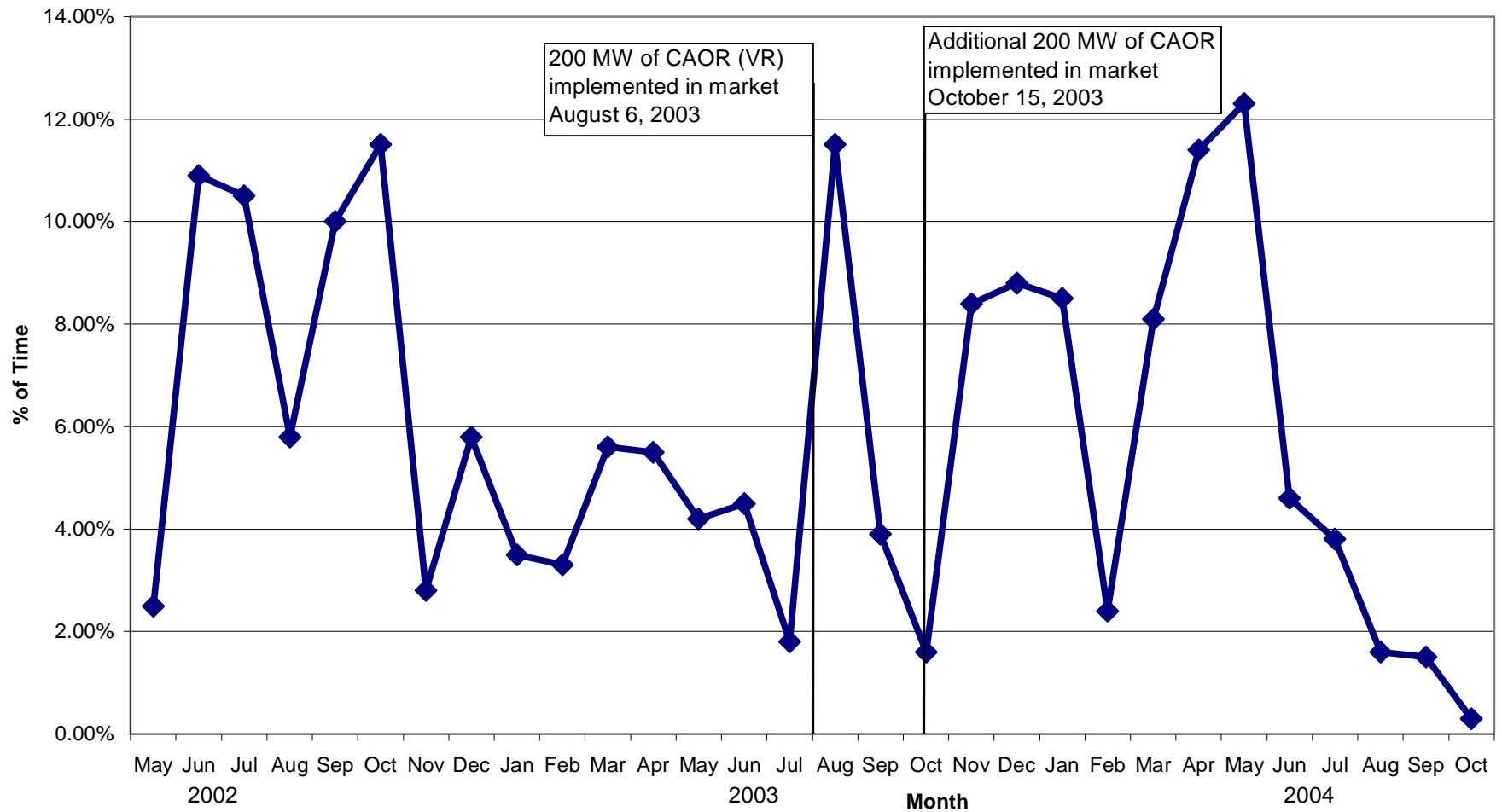
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Use of Control Actions as Operating Reserve May 2002 to September 2004



Use of Control Actions As Operating Reserve May 2002 - September 2004



Data includes use of CAOR as well as manual reductions



ISSUE 17: Application of Settlement Adjustments



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Introduction

- Questions regarding the application of the current period adjustment have been raised by a number of participants due to a significant adjustment on their July 31, 2004 settlement statement (issued on August 16, 2004).
- Purpose is to review current period adjustment and to discuss other methods of allocating settlement adjustments.
- To initiate discussion, the current period adjustment, which is the method currently being used along with two “other” methods for the allocation of settlement adjustments will be explained .

1) Current Period Adjustment (currently used)

- Allocates the adjustments on the basis of the activity of market participants during the billing period when the adjustment is applied.

$$A_{MP_j} = \frac{\text{Energy Withdrawn For Current Month by } MP_j}{\sum_{k=1}^n \text{Energy Withdrawn For Current Month by } MP_k} * A$$

A = Total Adjustment Amount in Dollars

A_{MP_j} = Adjustment Amount in Dollars for Market Participant “j”
(Current period adjustment)

n = total number of market participants present at the time of the adjustment period



Advantages/Disadvantages:

- Uses the current month of energy withdrawal when determining the adjustment amount, which is information that is readily available.
- Results in a different allocation than what the financial impacts (payments or charges) to an “other” participant would have been if the error had not existed.
- A new market participant not present during the adjustment period still pays the current period adjustment regardless of their presence in the market at the time of the error.

2) Adjustment Period Allocation

- Uses the historical energy withdrawal values and the historical adjustment amount.
- Can either be distributed on a monthly basis within the settlement statement or as a lump sum of the entire adjustment amount.
- For adjustment periods that span more than one month, the adjustment can be calculated as a lump sum or split into monthly sums.

$$A_{MP_j} = \frac{\text{Energy Withdrawn For Period of Adjustment by } MP_j}{\sum_{k=1}^n \text{Energy Withdrawn For Period of Adjustment by } MP_k} * A$$

A = Total Adjustment Amount in Dollars

A_{MP_j} = Adjustment Amount in Dollars for Market Participant “j”

n = total number of market participants present at the time of the adjustment period

Advantages/Disadvantages:

- Allocates charges in a manner that better reflects what the financial impacts (payments or charges) to an “other” participant would have been if the error had not existed.
- Does not charge market participants who did not exist at the time of the error.
- If a market participant (present during the error) leaves at any time after the error, then a liability issue would need to be addressed. The end result would be one of the following:
 - ∅ the cost may be distributed amongst the remaining market participants to account for the adjustment by that participant who left
 - ∅ the cost may be accrued by the absent market participant if they have been located and are able to pay



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3) Adjustment Allocation by Charge Type Resolution (Complete Recalculation)

- An allocation that is calculated based on a complete recalculation of all settlements for the adjustment period.

Advantages/Disadvantages:

- The only method that results in the allocation that would have occurred in the absence of the error.
- Settlement recalculation would require a substantial amount of cost, resources, and time for the IMO to complete and for participants to verify.
- Again, if a market participant (present during the error) leaves at any time after the error, then a liability issue would need to be addressed. The end result would be one of the following:

∅ the cost may be distributed amongst the remaining market participants to account for the adjustment by that participant who left

∅ the cost may be accrued by the absent market participant if they have been located and are able to pay



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Update on Administrative Pricing Work -- Work Package #3 --



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Purpose

- a. Identify issues to be addressed as part of the administrative pricing component of MPWG Work Package #3;
- b. Provide status update on work being done
- c. Seek advice from MPWG on how best to move forward

Summary

Issues raised in the MPWG's issue paper #28 (Compensation under Administered Pricing when Incorrect Prices have been Posted):

1. Notification of participants of administered prices;
 - work currently underway within the IMO to address this issue
2. Eligibility of (dispatchable) loads for additional compensation.
 - seek thoughts of MPWG on this issue, including with respect to principle, rationale, methodology, ...

Administrative Pricing Triggers and Methodology

- Market Rules outline a number of situations where prices may be administered. E.g.:
 - Failure of hardware, software, communications
 - Wrong inputs into DSO
 - Market suspension

- Market Rules provide for administered pricing methodology. E.g.:
 - Copy forward from last good interval
 - Copy backward from last good interval
 - Average of “similar” previous days



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Timing and Notification of Administered Prices

Market Rules C. 7, 8.4A.3:

- Timing for establishing administered prices:

“Where the *IMO* establishes *administrative prices* pursuant to section 8.4A.2 it shall do so within two *business days* of the event causing *market prices* to be administered”.

- Notification of Market Participants:

The *IMO* shall inform *market participants* as soon as practicable whenever a *published market price* is an *administrative price*”.



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Update: Notification of Administered Prices

- IMO-internal initiative underway to review Market Events communications process
- Will examine ways to enhance existing process of notifying participants of suspicious prices and administered prices
- MPWG will be updated on further developments on this initiative



Discussion: Additional compensation for Loads during Administrative Pricing

- Market Rules provide for additional compensation related to administrative pricing.
- Eligibility applies to Market participants, where registered facility has received and followed dispatch instructions issued by the IMO.
- Intent of this provision is to provide additional compensation where the administrative price-based payment for energy provided is not adequate to cover costs incurred
 - with respect to fuel costs and variable OM&A
 - energy limited facilities may apply for compensation based on opportunity cost in lieu of fuel costs.

Discussion: Additional compensation for Loads during Administrative Pricing

- Under normal circumstances, dispatchable loads do not provide energy and do not receive compensation for energy
- Non-Dispatchable loads are not eligible for additional compensation because they do not receive dispatch instructions from the IMO
- **What are the thoughts of the MPWG on this issue?**
 - E.g.
 - principle
 - rationale
 - methodology
 - etc.