

Long-Term Solution to Address Counter-Intuitive Pricing

Market Pricing Working Group
July 8, 2005



- **Review rule amendments that provide a short-term solution.**
- **Review long-term solution options heard so far.**
- **Discuss these and other long-term solution options.**

- **Two rule amendments were approved by the IESO Board on June 16:**
 - **Allow IESO to adjust the market demand in real-time to compensate for ECA(s) employed that reduce demand.**
 - **After event, administer prices using existing methodology if demand reducing ECA was employed but not adjusted for in real time.**
 - **This was approved with a sunset date of Oct. 1, 2005**

- **Two categories of long-term solution options heard so far:**
 - **Administrative price options where a price would be set based on the system conditions**
 - **Non-administrative options where DSO continues to set price in all circumstances**

- **Determine a price level for each specific ECA or group of ECAs.**
 - This could be a floor or ceiling price instead of a set price
- **When ECA are employed, price is set to the specified price level**
 - Price could be administered automatically in real-time, or after-the-fact
 - After-the-fact may be acceptable with an appropriate communication system

- **Include market offers for ECAs in the unconstrained sequence when ECA are employed**
- **DSO will determine a price that may be set by the ECA offer, but does not guarantee that price outcome**
- **Another variation would be to do nothing more than the already approved short-term solution**
 - **This effectively puts ECAs in the unconstrained stack with offers at \$2000.**

<u>Issue</u>	<u>Admin</u>	<u>Non-Admin</u>
Works for emergency in a local area or caused by internal transmission constraint	No	Yes
Guarantees that price will reflect emergency conditions	Yes	No
Requires determination of price levels for specific ECAs	Yes	Yes