

Proposed Real-Time Intertie Transaction Failure Charge



Formula Construct

The IESO had proposed that the real-time intertie transaction failure charge be based on the difference between the one hour ahead pre-dispatch intertie zone price and the real-time Ontario MCP. This method of calculating the charge for intertie transaction failures includes any intertie zone congestion, and therefore could result in a charge even though there had been no change in the Ontario price between pre-dispatch and real-time. This concept has raised significant concern among market participants involved in intertie trade in Ontario.

In response to stakeholder issues, the charge will be based on the difference between the one hour ahead pre-dispatch Ontario price and the real-time Ontario MCP, and therefore not include the intertie zone congestion component. While this revised charge is intended to provide sufficient incentive to discourage intertie transaction failures, the IESO will continue to monitor transaction failures to ensure appropriate outcomes are achieved.

The proposed formulae for the real-time intertie transaction failure charges are as follows.

Real-time Import Failure Charge:

$$= \text{Min}[\text{Max}[0, ((\text{RT Ont MCP} + \text{Import Bias Adjustment factor}) - \text{PD Ont MCP}) * \text{MWh deviation}], \text{Max}(0, \text{RT Ont MCP}) * \text{MWh deviation}]$$

Real-time Exports Failure Charge:

$$= \text{Min}[\text{Max}[0, (\text{PD Ont MCP} - \text{RT Ont MCP} - \text{Export Bias Adjustment factor}) * \text{MWh deviation}], (\text{Max}(0, \text{PD Ont MCP}) * \text{MWh deviation})]$$

Bias Adjustment Factor

The above transaction failure settlement charge formulae contain an Adjustment Factor. In the original IESO proposal, this factor would compensate for only the methodologically induced tendency for the Pre-dispatch Ontario price to be higher than the Real Time Ontario price. Stakeholders have requested that the factor serve to equalize the settlement charge amount for import and export failures for the purposes of not discouraging export trade. The method proposed by stakeholders to equalize the settlement charge would include in the adjustment factor all the influences that cause the pre-dispatch to real time Ontario price drops to be greater than the Pre-dispatch to real time Ontario price increases in magnitude and frequency. The IESO agrees with the principle of not creating incorrect incentives that would discourage export trade. The IESO will agree to implement the method proposed by stakeholders that would equalize the settlement charges. The IESO will monitor for the correct market and system outcomes.

Bias Adjustment Factor Calculation

As stated above the Adjustment Factor will compensate for all influences that cause the pre-dispatch to real time Ontario price drops to be greater than the Pre-dispatch to real time Ontario price increases in magnitude and frequency. The IESO proposes that the median value of the pre-dispatch to real time price drops be subtracted from the median value of the pre-dispatch to real time increases. The IESO proposes that this difference will be the Import Bias Adjustment Factor and the Export Bias Adjustment factor; it will be the same for both the import and the export formulae.

Application and Publication of Adjustment Factor

The IESO proposes that the details regarding the adjustment factor such as: data set, calculation method, calculation frequency, and timing of application be specified in a market manual which will follow the prescribed stakeholder methods for such documentation. As previously proposed, there will be four seasonal adjustment factors for spring, summer, fall, and winter. Newly calculated Adjustment Factors will be published in advance of their effective dates and will apply to the next period. Stakeholders have requested that the calculation frequency and application of the factor have short turn around times. The IESO is still considering the possible consequences of such an approach.