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Real Time Transaction Failure Charge – Import and Export Adjustment Factor

For Discussion Purposes only- February 9, 2006



Topics

- Update on Real Time Settlement Charge
- Overview of Charge
- Bias Adjustment Principles

On February 3, Stakeholder Advisory Committee recommended and the IESO board passed the settlement charge for real time import and export failures

Implementation is not tied to the Day Ahead Commitment process regarding timing, however, the IESO is targeting for the same implementation time

Application:

For all real time transaction on all IESO interfaces that fail for reasons other than bona fide and legitimate

Charge to appear on a participant settlement statement and follow the notice of disagreement process

Settlement charges collected will offset uplift charges

Determination of the charge application or process is not the outcome of a compliance action/process

Compliance involvement is limited to egregious behaviour surrounding intertie failures where the compliance process will be conducted and may result in recovery of revenues/charges gained or avoided surrounding transaction failures

Real-time Import Failure Charge:

= Min[Max[0, ((RT Ont MCP + Import Bias Adjustment factor) – PD Ont MCP) * MWh deviation], Max(0, RT Ont MCP) * MWh deviation]

Real-time Export Failure Charge:

= Min[Max [0 , (PD Ont MCP - RT Ont MCP – Export Bias Adjustment factor) * MWh deviation], Max(0, PD Ont MCP) * MWh deviation]

PD price = \$100

RT price = \$120

Adjustment factor = \$5

Volume failed = 100 Mw

Charge = minimum of [$\$120 + \$5 - \$100$]*100 Mw or
 $\$120$ *100 Mw
= \$2500

PD price = \$100

RT price = \$80

Adjustment factor = \$5

Volume failed = 100 Mw

Charge = minimum of [~~\$100~~ - ~~\$80~~ - \$5] * 100 Mw or
\$100 * 100 Mw
= \$1500

Import

- Maximum import charge is capped at the Ontario Market Clearing price for the interval
- Triggered when the adjusted real time price is greater than the pre-dispatch price during the hour of failure

Export

- Maximum export charge is capped at Pre-dispatch Ontario price for the hour
- Triggers when the adjusted real time price is less than the pre-dispatch price during the hour of failure

Chapter 9, section 3.8C.7,

- The IESO shall determine, in accordance with the applicable market manual, any applicable price bias adjustment factors to be used in the calculation of the real time import failure charge and the real time export failure charge. The price bias adjustment factor shall compensate for **systematic** differences between the pre-dispatch and real time price.

What are systematic differences?

Those differences as a result of the methodology of price calculation eg. use of Ontario demand forecast peak in pre-dispatch versus average in real time price calculation

The calculation of the adjustment factor shall attempt to isolate this contribution

Use of median value of the historical price differences represents a reasonable proxy for this contribution

The use of the median value in each formula equalizes the probability of an import and export charge triggering

Use of the historical pre-dispatch to real time price differences includes other contributions eg. import and export failures, other supply or demand stack changes