

Locational Price During Emergencies within a Uniform Price Regime



At its meeting on November 3, 2006 the Market Pricing Working Group (MPWG) requested the IESO investigate the possibility of implementing a locational price during emergencies (refer to action items 34-2 and 34-3). The working group members requested the IESO to identify options of how a locational price could be used, both as a signal in real-time and for settlement purposes, within a uniform price methodology and the potential time and costs to develop such options.

Following internal discussions, the IESO has identified a possible method to implement a locational emergency price signal in the current uniform market structure. Before a specific method of settlement implementation can be decided upon, a number of potentially complex and contentious issues would need to be addressed by the IESO and stakeholders:

- Effective real-time communication is needed so that consumers who are going to be subject to the emergency price have an opportunity to react in real time.
- The price would need to be administered for settlement purposes on a market participant delivery point basis. Thus, the approximately 1200 settlement relevant delivery points in Ontario would need to be mapped to a specific area or zone in which an emergency may occur.
- Administered prices would need to be developed for all applicable emergency control actions.
- Who would receive the revenues associated with the amounts paid by the market participants under such an administered pricing regime? Would generators in the emergency area receive the emergency price?
- How would such payments interact with other settlement amounts e.g. CMSC and IOG.
- Would such emergency prices have any effect on the Intertie Congestion Price?
- Would locational emergency prices replace the current emergency pricing methodology of increasing demand in the market schedule or be in addition to it?

Settlement Proposal

After discussions with the Settlement department of the IESO it was decided there is only one option available to implement a locational price during emergencies. This option would require the calculation of a manual line item to be added to all participants' settlement statements affected by the emergency. The manual line item would be calculated as an addition to the energy price for the energy that was withdrawn during the emergency event.

For example, assume the emergency lasted for 60 minutes from 16:00 to 17:00 (HE 17), a consumer withdraws 100 MWh, HOEP was \$100 and the pre-defined administered locational price was \$500. This consumer would receive an additional charge in the amount of (100 MWh * 500-100\$/MWh).

This amount would appear as a manual line item on their preliminary settlement statement for the respective trade date.

This solution would require a tool attached to the Commercial Reconciliation System to calculate the applicable manual line items. This option would require that Market Settlements have all the necessary data no later than 6 business days after the trade date when an emergency control action is taken.

This option would require the development of an “Emergency Pricing Tool” that would be attached to the real time Commercial Reconciliation System. This would require approximately 2-3 months of IESO system development and testing time, in addition to the time required to update the effected internal procedures and market manuals. Market participant system and process change requirements are unknown.

Conclusions

- The issues that need to be addressed prior to developing the settlement tool may require more IESO and stakeholder time and effort the time required for implementing the Emergency Pricing Tool.
- Market participant settlement system and procedures development impacts needs to be factored into any decision to implement such a pricing mechanism.

Next Steps

- Do nothing at this time; and
- Keep this option on the table pending the completion of the LMP study.