

Market Pricing Working Group

-- DRAFT TRACKING DOCUMENT OF PRICING ISSUES AND INITIATIVES --

Version: July 09, 2004*

ID	ISSUE/ INITIATIVE	DATE RAISED & DESCRIPTION	STATUS	NEXT STEPS	RELATED ISSUES/ INITIATIVES	ADDITIONAL REFERENCES
001	Pre-Dispatch Price Bandwidths	Noted in May 2003 Pricing Team Report. "Price bands" published on IMO web site to indicate sensitivity of pre-dispatch prices to changes in demand: would help participants anticipate the extent of price volatility.	[open]		009; 012; 013; 014; 015	http://www.theimo.com/imoweb/pubs/consult/mktOps/mo_paper_PricingIssues_20030528.pdf
002	Publishing Nodal Price Data	Noted in December 2003 as part of Day-Ahead Market working group historical nodal pricing analysis.	[CLOSED]	N/A	004; 016; 018; 020; 022; 023; 27;	http://www.theimo.com/imoweb/marketdata/marketSummary.asp
003	Information to Explain Dispatch Optimization Process	Noted in May 2004 at 1 st Market Pricing working group stakeholder meeting.	[open]	IMO "Quick Take" is under development	004; 005; 013; 017; 024;	
004	Use of 12-times Ramp Rate in the Dispatch Unconstrained Algorithm	12-times ramp rate introduced in April 2002 to address periods of large demand change. When determining the real-time uniform market clearing price, it is assumed that dispatchable facilities have an energy ramping capability that is 12 times higher than their actual ramping capability (i.e. 60 minutes of ramping capability in a 5-minute period).	[open]	No changes to this feature have been made. Some analysis has been performed by the internal pricing team and presented at MOSC on December 3, 2003. "2-pager" issue document developed by Market Pricing Working Group in June 2004.	002; 004; 005; 012; 016; 022; 025; 27;	http://www.theimo.com/imoweb/pubs/consult/mktOps/mo_pres_PricingIssuesUpdate_2003Dec03.ppt
005	Simultaneous Use of Ramping Generation Units for Energy and Operating Reserve	Noted by Day-Ahead Market working group. Current algorithm will not simultaneously schedule a generating unit at its maximum ramp capability for energy and reserve. The simultaneous use of ramping and reserve would be allowed under the proposed Day-Ahead Market design.	[open]		003; 004; 013; 022; 025;	

*Note: Priority levels for individual issues in this document have not yet been identified; priorities will be determined during the Working Group's deliberations and will be reflected in each issue's "status" section. Changes since June 25, 2004 have been highlighted.

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006	Effects of Emergency Purchases on the Market	Noted in May 2004 at 1 st Market Pricing working group meeting.	[open] "2-pager" issue document developed by Market Pricing Working Group, July 2004.		001; 003; 005; 009; 013; 014; 015; 024; 027;	
007	Imports Setting Price	Noted by Day-Ahead Market working group. Imports, exports and quick start units (that have a minimum run-time of an hour) would be able to set price in the proposed Day-Ahead Market. The resulting issue relates to considering those specific conditions and mechanisms under which such imports, exports, and quick start units might be able to set the Market Clearing Price in the Real Time Market.	[open]		008; 012; 013; 014; 024;	
008	Multi-Part Bids/Offers	Noted by Day-Ahead Market working group. Bids and offers in the proposed Day-Ahead Market design could be submitted in multiple parts, consisting of "start-up", minimum generation", & "incremental energy" components. Current real-time market does not provide for such multi-part bids and offers.	[open]		007; 005; 012;	
009	Use of Peak Demand Load Forecast in Pre-Dispatch	Noted by Market Surveillance Panel Results in an overestimation of pre-dispatch prices relative to the real-time HOEP	[open] "2-pager" issue document being developed by Market Pricing Working Group.		001; 010; 013; 014; 015;	
010	"Over-Forecasting", especially in hours 22 through 24	Noted in Market Surveillance Panel report #2	[open] "2-pager" issue document being developed by Market Pricing Working Group.		001; 009; 013; 014; 015;	http://www.theimo.com/imoweb/pubs/marketSurv/ms_mspReport_20030331.pdf
011	Comparing Treatment of Self-Scheduling Resources in Pre-Dispatch and Real-Time	Noted by Market Surveillance Panel	[open]			

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012	Under-commitment of Available Generation	Noted in May 2003 Pricing Team Report as Spare Generation On-Line. Insufficient amounts of available generation was being committed by participant, to address disturbances or changes in system conditions close to real-time, thereby requiring IMO to rely on out of market resources. Arises from risk of not recovering start-up and min generation costs.	[CLOSED] Implemented Generation Cost Guarantee provisions in market in August 2003. Arrangement entails guaranteed “start-up”, “speed no-load”, and “minimum generation” costs to eligible resources.	N/A	001; 008; 009; 010; 013; 014; 015; 027;	http://www.theimo.com/imoweb/pubs/consult/mktOps/mo_paper_PricingIssues_20030528.pdf
013	Impact of Out of Market Sources of Operating Reserve on the Market	Noted in May 2003 Pricing Team Report:	[open] Use of out-of-market resources integrated into pre-dispatch sequence by applying a price to each of those resources and inserting them in the market as operating reserve offers. Currently, 400MW of Control Action Operating Reserve (CAOR) is offered in the market representing load reduction that would be realized if a 3% voltage reduction was implemented. Relates to the predictable and transparent integration of out-of-market resources into the marketplace. “2-pager” issue document developed by Market Pricing Working Group in July 2004.	Dynamic scheduling of Voltage Reduction CAOR based on Primary Demand forecast; Including additional Control Actions as CAOR (i.e. not meeting 30 min. reserve requirement, emergency purchases)	001; 003; 005; 006; 009; 010; 012; 014; 015; 024; 027;	
014	Hour(s)-Ahead Price Signal Uncertainty	Noted in May 2003 Pricing Team Report. Hour-Ahead Dispatchable load initiative raised as a way to increase the amount of price-responsive load within the IMO-administered markets, particularly in view of the limited extent to which certain loads are able to respond to five-minute dispatch instructions due to physical limitations.	[CLOSED] Hour-Ahead Dispatchable Load Offer Guarantee that would compensate load for reducing its consumption on the basis of pre-dispatch when real-time price was such that the load would not have reduced its consumption. Allows to submit offers to reduce consumption and indicate the amount of consumption reduction that would occur at a specific price if dispatched. Implemented in May 2003. Current participation consists of ~235MW.	N/A	001; 003; 004; 006; 007; 009; 010; 012; 013; 015; 023; 024;	
015	Restriction on Changes to Dispatch Data between 4 and 2 hours ahead of Dispatch Hour	Noted in May 2003 Pricing Team Report. Relates to increasing the ability of Market Participants to react to market or system changes occurring prior to the dispatch hour.	[CLOSED] Unrestricted changes to dispatch data up to 2 hours ahead of dispatch hour allowed Introduced on trial basis in 2002, implemented in June 2003.	N/A	001; 006; 007; 009; 010; 012; 013; 014; 024;	

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016	Historical Analysis of Nodal Prices	Entails: (a) total pricing comparison - to consistently compare uniform and nodal prices and show how these prices have varied over time; (b) Spatial analysis - to show how nodal prices have varied across Ontario	[open] Historical nodal pricing analysis performed as a part of the Day-Ahead Market Working Group in late 2003 – study spanned period of October 04 2002 to December 31 2003. Analysis undertaken to help assess what might have been the impact of nodal pricing. Results presented at various stakeholder forums and posted on IMO web.		002; 004; 010; 017; 018; 019; 020; 022; 023; 027;	http://www.theimo.com/imoweb/pubs/consult/mep/DAM_WG_2003Dcc11-NodalAnalysis.pdf
017	Comparison of Operating Reserve Prices in Congestion Pricing and Uniform Pricing Regimes		[open]		002; 004; 005; 013; 016; 022; 027;	
018	Pricing and Allocating Line Losses	Noted during historical analysis of nodal prices. Under the current uniform pricing system, losses are allocated on an Ontario-wide average basis and are recovered as uplift. Under a nodal system, line loss costs are allocated to each node in a manner that recognizes each node's individual contribution to/impact on those costs.	[open] "2-pager" issue document developed by Market Pricing Working Group in July 2004.		002; 016; 019; 022; 027;	
019	Line Loss Factors	Noted during historical analysis of nodal prices. Relates to whether static rather than dynamic penalty factors are used.	[open] "2-pager" issue document being developed by Market Pricing Working Group.		018; 022;	
020	Treatment of Imports in a Congestion Pricing Regime	Noted during historical analysis of nodal prices.	[open]		002; 007; 016; 017; 022; 027;	
021	Time Lag Associated with Contingency Detection		[open]			

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022	Pricing Physical Constraints	Prices are currently computed in an unconstrained market sequence, whereas dispatch instructions are issued according to a security constrained sequence. Additional costs are incurred in Ontario's "uniform pricing" system when the actual security constrained dispatch of resources required to satisfy load at a given interval differs from the purely economic solution produced by the unconstrained algorithm. These additional side-payments pose implications for efficient market signalling.	[open] "2-pager" issue document developed by Market Pricing Working Group in July 2004.		002; 004; 016; 018; 023; 027;	
023	Elimination of Constrained-off Payments	Noted in October 2002, February 2003 & June 2003 Market Surveillance Panel reports. The Panel suggested that Constrained off CMSC payments blunt efficient market signals and investment decisions and pose opportunities for abuse.	[open] Following consultation on the issue, the Market Surveillance Panel concluded in 2003 that "elimination of all constrained off CMSC payments at this point in the evolution of the market would be premature". The Panel asserted that it "will revisit the issue of CMSC payments towards the end of 2004, in light of conditions at that time".		004; 014; 016; 022;	http://www.theimo.com/imoweb/pubs/consult/cmssc/cmssc_paper_2003_0218.pdf
024	Reducing Frequency of Failed Intertie Transactions	Noted in May 2003 Pricing Team Report. Three avenues to reduce failed intertie transactions: 1. continued enforcement of compliance with Market Rules 2. discussing measures to better align interjurisdictional trading with neighbouring systems 3. investigating potential improvements to the bidding/offering process for exports and import	[open] 1. Market monitoring and assessment ongoing 2. Enhancements to protocol with NYISO being developed; work is ongoing with MISO to increase transmission availability and reassignment; work ongoing with PJM to address PJM ramp rate limitations 3. IMO reviewing offer/bid process and other ISO checkout processes to simplify the import/export process.		001; 006; 012; 013; 014; 015;	

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025	Temporal Optimization in the Real-Time Constrained Sequence but Not in the Real-Time Unconstrained Sequence	Noted in January 2003 IMO MEP discussion paper. The IMO's Dispatch Scheduling Optimizer derives dispatch instructions for dispatchable facilities every five minutes. Currently, the results for each five-minute interval are calculated independently – the requirements of future intervals are not considered. Consequences include: Fast-loading resources tend to be cycled more frequently than is desirable; Loading fast-loading resources based on the economics of one interval can drive the system into reserve shortfalls when more expensive, slow-loading resources are all that is available in subsequent intervals; CMSC payments arise.	[open] The Multi-Interval Optimization (MIO) project is underway to address the resulting issues. MIO went live on June 23, 2004. "2-pager" issue document developed by Market Pricing Working Group in July 2004.		003; 004; 005; 009; 012; 027; 31;	http://www.theimo.com/imoweb/pubs/consult/mep/mep_MIOProposal_20030131.pdf
026	Relationship between Competitive and Regulated Wholesale Prices	Raised in April 2004. The Ontario Ministry of Energy's "new vision" for Ontario electricity sector would entail a combination of a regulated and a competitive electricity generation sector whereby part of the supply would be price-regulated by the Ontario Energy Board, and part would be paid the competitive market price.	[open] New legislation pending. Expected in Autumn 2004.			http://www.energy.gov.on.ca/index.cfm?fuseaction=english.news&back=yes&news_id=59&backgrounder_id=44
027	Timing Differences Between Unconstrained And Constrained Real-Time Sequences	In December 2003, the IMO's Day Ahead Market Working Group developed an analysis comparing "uniform" and nodal prices for a given study period and addressing the causes of the differences between those prices. It was found that differences between uniform and nodal prices were partly attributable to demand differences between the real-time unconstrained and constrained sequences.	[open] "2-pager" issue document developed by Market Pricing Working Group in June 2004.	As suggested at the June 25 Market Pricing Working Group meeting, further analysis could entail analyzing, among other things, the magnitude, frequency, timing, and distribution of over- and under-forecasts of demand.	002; 004; 010; 012; 013; 016; 018; 020; 022;	

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028	Compensation under Administered Pricing when Incorrect Prices have been Posted.	<p>Noted in January 2004, Identified as Participant Issue #924.</p> <p>Load customers that respond to high prices that are determined to be incorrect lose significant production and income and become hesitant to respond to price signals. To increase their confidence in the price signals they would like to be compensated for losses in the event that prices are corrected.</p>	[open]			http://www.theimo.com/imoweb/implementation/issues_log.asp
029	5-Minute Resolution of Price One-Hour Ahead	<p>Noted in June 2004 at 3rd Market Pricing Working Group stakeholder meeting.</p> <p>Pre-Dispatch Prices entail an hourly resolution, whereas Real-Time prices entail a 5-minute resolution.</p> <p>5-minute resolution one-hour ahead might offer greater price discovery ahead of Real-Time.</p>	[open]		004; 006; 009; 010; 012; 013; 014;	
030	Forecast of Real-Time Price	<p>Noted in Appendix C of the Market Surveillance Panel report for September 2002 – January 2003.</p> <p>This issue relates to providing market participants with price information - in pre-dispatch - that is a more accurate forecast or indication of what the HOEP is likely to be. Such forecasts might assist participants in the price discovery process.</p> <p>Currently, the IMO does not forecast the real-time price.</p>	[open]	<p>Market Surveillance Panel Report # 2 (March 24, 2003) outlined a possible approach whereby forecasts of market prices could be formally produced based on factors such as primary demand forecast, expected supply capability, and expected intertie transactions. A probability distribution could then be assigned around each factor and, using a Monte Carlo technique, a distribution of resulting market prices could be developed.</p> <p>No work has been undertaken on this initiative to date.</p>	001; 006; 009; 010; 012; 013; 014; 015; 024;	http://www.theimo.com/imoweb/pubs/marketSurv/ms_mspReport_20030331.pdf

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031	Multi-Interval Optimization Pricing Methodology	Noted in January 2003 IMO MEP discussion paper.	[open] Multi Interval Optimization went live on June 23, 2004. "2-pager" issue document developed by Market Pricing Working Group in July 2004.		003; 004; 005; 009; 012; 025; 027;	http://www.theimo.com/imoweb/news/newsItem.asp?newsItemID=1127
032	Role of Import Offer Guarantee in Certain Hours	Noted in Market Surveillance Panel Report, June 14, 2004. Issue relates to the question of whether the Import Offer Guarantee is appropriate in certain hours such as 23:00 and 24:00. Namely, whether the premiums paid in such hours are worth the benefits.	[open]			http://www.theimo.com/imoweb/pubs/marketSurv/ms_mspReport-20040614.pdf
033	Rules for Determining Prices in Times of Shortage	Noted in Market Surveillance Panel Report, June 14, 2004. Issue relates to the shortage-pricing algorithm provided for in Chapter 7, s. 8.2.2.2. of the IMO Market Rules.	[open]			
034	Rules Concerning the Breaker Status of "Quick Start Facilities"	Noted in Market Surveillance Panel Report, June 14, 2004. Issue relates to consideration of the appropriateness of existing rules concerning the breaker status of quick start facilities.	[open]			
035	Impact of "Other" Out Of Market Control Actions on the Market	Noted in May 2003 Pricing Team Report. Issue relates to market impacts of control actions other than emergency imports or use of out of market operating reserve.	[open]		001; 003; 005; 006; 009; 010; 012; 014; 015; 024; 027;	http://www.theimo.com/imoweb/pubs/systemOps/so_GridOpPolicies.pdf

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