

February 6, 2008 – Location Pricing Analysis - On Hold Until Further Notice

On November 1, 2006, the Stakeholder Advisory Committee (SAC) reviewed the status of the IESO's Locational Pricing study. The SAC recommended to the IESO Board that the IESO continue to learn about locational pricing, but at a measured pace.

Since the SAC recommendation, the IESO has taken steps to address some of the factors that have made the analysis of locational pricing difficult. Together, these changes will allow for a more accurate analysis of the pricing impacts of a location-based pricing model:

- Work is in progress to address the fixed loss penalty factors used by the dispatch algorithm. http://www.ieso.ca/imoweb/consult/consult_se40.asp
- A new ramp rate multiplier has been implemented to better reflect the physical capabilities of generators.
<http://www.ieso.ca/imoweb/news/newsItem.asp?newsItemID=3603>

Currently, the IESO is examining possible day-ahead enhancements to the present market. In keeping with the step-by-step approach to market evolution, only day-ahead models based on unconstrained pricing are being examined.

http://www.ieso.ca/imoweb/consult/consult_se21.asp

The ongoing examination of day-ahead mechanisms requires a significant effort from both IESO staff and stakeholders. The commitment of staff and resources to this effort will require that further work on locational pricing be placed on hold at this time. Upon the completion of the investigation and recommendations of day-ahead enhancements, the IESO will be in a position to develop a plan to examine locational pricing. At that time, with the above-mentioned changes to the IESO's dispatch algorithm, an improved sample of data will be available to the Market Evolution Analysis and Research Department (MEAR) for this analysis.