

Memorandum

To: Market Pricing Working Group
From: Nash Peerbocus, Market Evolution
Date: 31 May 07
Re: Action Item 41-1: Export Elasticity – Peak and Off-Peak Hours

At the Market Pricing Working Group meeting #41 on May 9, 2007, the IESO undertook to provide the Working Group with the export elasticity for peak and off-peak hours (action item AI 41-1). That data is listed in the table below, along with the export elasticity for all hours.

Elasticity of Ontario Export Trade to New York

Time	Export Elasticity (%)	Standard Error
Peak Hours	-5.65	0.798
Off-Peak Hours	-2.79	0.882
All Hours	-4.67	0.839

Recall that the negative export elasticity values mean that for a 1% increase in HOEP, there would be a decrease in exports corresponding to the elasticity values listed above.

The standard error provides information on the distribution of the elasticity estimate. For example, a 95 per cent confidence band is calculated by doubling the standard error and adding the resulting value to the elasticity value (for the upper bound) or subtracting the resulting value from the elasticity value (for the lower bound). In the case of the “all hours” elasticity value, this calculation yields a lower bound of negative 2.9 and an upper bound of negative 6.3. This means that if we were to do the elasticity calculation a large number of times, 19 times out of 20, we would expect the value of the elasticity to fall between negative 2.9 and negative 6.3.

The IESO recommends that action item AI 41-1 be closed.