

September 25, 2008

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**RE:** Written input on MPWG Issue #40: Locational Marginal Pricing for Intertie Transactions

Mr. Rivard:

I am writing in response to the IESO's request for stakeholder input on Market Pricing Working Group (MPWG) Issue 40: Locational Marginal Pricing for Intertie Transactions. Bruce Power participated in the discussions of this issue at the MPWG and appreciates the opportunity to provide our written input.

As Bruce Power has repeatedly stated in our written submissions we strongly support the continued evolution of the Ontario electricity market and incremental improvements to the real-time price. However, Bruce Power thinks that this initiative does not represent an incremental improvement to the Ontario electricity market for the following reasons:

- The stated purpose of this initiative is to reduce the level of inefficient exports. Given the details presented, and the lack of analysis, it is uncertain that this initiative will have the desired effect.
- Implementing this change will introduce yet another feature to the Ontario marketplace that is unique to Ontario. This will increase the difficulty of transacting across the borders and would impede efficient trade between jurisdictions.
- Intertie transactions are currently priced and scheduled utilizing the unconstrained pricing algorithm which is used for Ontario generators and consumers. There may be unintended consequences of utilizing an entirely different price setting methodology (constrained vs unconstrained) for intertie transactions.
- In the IESO's assessment of day-ahead mechanisms the IESO management asserted that the Unconstrained Day-Ahead Market (UDAM) would "further embed the difficulties associated with the use of an unconstrained schedule". Implementing this initiative would further engrain the unconstrained price setting algorithm in Ontario contrary to the IESO management's position on the UDAM.

In this respect, Bruce Power does not support further work by the MPWG on this issue. Bruce Power would prefer the IESO focus their efforts on other initiatives. One initiative of particular concern to

Bruce Power is the increased occurrence Surplus Baseload Generation and the adverse impacts to the reliability of the electricity system that result from manoeuvring nuclear units. Exacerbating the occurrence of SBG is the practice of supporting imports through the use of an Intertie Offer Guarantee (IOG) in off-peak hours, specifically in the shoulder seasons. The IOG is being paid when additional supply is not necessary and paying a reliability premium for that additional supply is unnecessary.

Bruce Power looks forward to continuing its work with the IESO and the Market Pricing Working Group to improve the electricity market in Ontario.

Please feel free to contact me if you have any questions or concerns.

Yours truly,



Chris Loughren  
Market and Regulatory Affairs Advisor  
Bruce Power

cc: Richard Horrobin, Vice-President, Bruce Power, Power Marketing