

Decision Criteria and the Use of Peak vs. Average Demand Forecast

MPWG

December 2, 2008



- Comments
- Principles for a Decision Criterion that Serves the Public Interest
- Four Possible Decision Criteria

1. *Dr. Townley's approach is one of a number of tools to be used by the IESO to make a decision on the merit of a proposed change to the market.*
2. *There is a need to develop a clear decision rule however it should not be onerous on the IESO or participants?*

3. *The Kaldor-Hicks Criterion is the appropriate Criterion.*
4. *Distributional issues are not the purview of the IESO.*
5. *Specific shortcomings of the Townley approach.*

1. *An ideal decision criterion should allow market changes that enhance the well-being or welfare of Ontarians and disallow market changes that would diminish it.*
2. *The appropriate weight applied to the surplus change of any individual should not depend simply upon the label of the individual as a “consumer” or “supplier.”*

1. Kaldor-Hicks (K-H) Standard

– $W_P = W_C = 1/2$

2. Price Standard

– $W_P = 0$ and $W_C = 1$

3. The Balancing Weights Approach

4. Superior Propane: The Ross-Winter Proposal

– $W_P = .48$ and $W_C = .52$