

Issue #7: Intertie Transactions Setting Real-Time Price – Possible Re-Definition

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- Existing Issue Definition
- System Marginal Cost Pricing
- Existing Real-Time Pricing Determination
- Possible Re-Definition
- Next Steps

- First identified and defined by MPWG in 2004
- Imports and exports can set PD price, but not RT price
- ‘discrepancy in price determination raises concerns over whether the prices are being calculated appropriately and fairly.’
- Recognized system marginal cost pricing principle as reason imports and exports cannot set RT price

- Price set by resources that can meet an incremental change in demand: pre-dispatch, real-time
- Sends appropriate consumption and production signals: drive ST and LT market efficiencies
- Pricing principle underpins most markets

- Uses system marginal cost pricing
- Resources not eligible to set RT price:
 - Import and export transactions
 - Ramp-constrained supply
 - Self-scheduling and intermittent resources
- Ignores some physical realities: ‘compromise’ this principle
 - Transmission constraints
 - True ramping capability
 - Generation unit minimum output
- Side payments: CMSC, IOG

- Given the Ontario market design and structure, which costs (or resource constraints) should be reflected in the unconstrained marginal cost pricing calculation to induce efficient dispatch outcomes?

- Other electricity markets
- Consider all transactions and resources currently not eligible to set RT price
- Scope of issue and implications of any changes
- Related issues

- Gather MPWG feedback
- Consider re-definition and prioritization