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IESO SENIOR MANAGEMENT UPDATE

To: Stakeholder Advisory Committee
Date: October 30, 2008
Subject: **Review of IESO Day Ahead Price Forecast model**

Information Item

Results to date show the IESO day-ahead price forecast model (DAPF) provided an improved price signal of the next day's real-time prices (HOEP) compared to the day-ahead prices produced by the IESO pre-dispatch scheduling process. The improved price signal offered market participants, particularly consumers that pay the HOEP, with better information to plan their next day's activities.

The Day-Ahead Price Forecast is available on the IESO website at www.ieso.ca/dapf

IESO analysis was done for the first three month period from July to September and the performance indicates the following.

- The IESO used several different standard measures for evaluating a forecast model's accuracy. In all cases, the DAPF was found to provide a more accurate signal of the HOEP when compared to the prices produced from the IESO Pre-dispatch Scheduling Process. Based on these measures, the DAPF was also found to provide as accurate a signal of HOEP as the 3-hour ahead pre-dispatch price.
- The IESO Day-Ahead Price Forecast performed as well as the Day-Ahead market prices in New York and Michigan.
- A cost benefit analysis shows that the model is performing well. In a previous analysis the IESO estimated the cost of operating the model over a two-year period at \$80,000.¹ In just three months of operation benefits to consumers amount to \$61,000. The benefits come from improved forecasting performance under the assumption that 50 MW of load would use the day-ahead price forecasts instead of the day-ahead pre-dispatch price signal.
- In July, when the price forecast was introduced there was a lot of web traffic to that page. Since then the forecast data is viewed or downloaded about 70 times per day

The full Day-Ahead Forecast Performance Report can be found at:

http://www.ieso.ca/imoweb/consult/consult_se58.asp

¹ See http://www.ieso.ca/imoweb/pubs/consult/se58/se58-20080401-IESO_Position_Paper_Price_Forecast.pdf