



Ontario Energy Board

Commission de l'énergie de l'Ontario

Generator Offer Prices Used to Signal an Intention to Come Offline

**IESO Stakeholder Advisory Committee
August 17, 2011**

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MSP's New Monitoring Document

Subject

- Offer prices submitted by a generator to signal its intention to come offline

Purpose

- Outline criteria the MSP will use in monitoring for anomalous/ inappropriate generator conduct that could constitute gaming
- Provide guidance to generators on offer price levels that would not normally trigger a gaming investigation

Why required?

- Offer price level during shutdown has direct effect on CMSC



MSP's New Monitoring Document – Background

- When a generator chooses the time it wants to come offline, it must raise its offer price by enough so it will not be scheduled in real time by the IESO
- During ramp down, CMSC is paid to generators:

$$(Q_{\text{Constrained}} - Q_{\text{Unconstrained}}) \times (\text{Offer price} - \text{MCP})$$

- The higher the offer price and the slower the ramp rate the higher the CMSC payment.
- MSP has previously commented on high offer prices sometimes used to signal an intention to come offline

MSP's New Monitoring Document – Background

- May 2009 to April 2011 – around \$1 million per month in self-induced CMSC payments to fossil-fired generators
- Wide variance in gas-fired generator ramp-down offer prices:

Generator	Ramp down offer price / MGBRT offer price
A	7.5 to 1
B	5 to 1
C	2.5 to 1
D	2.5 - 1 to 1

Publication for Comment – Proposed Document

- Draft issued for comment June 17, 2011
- Where there are *bona fide* business reasons for a generator to come offline, an offer price that is the higher of either:
 - (i) the generator's marginal cost, or
 - (ii) 130% of the 3-hour ahead pre-dispatch shadow pricenormally would not trigger a gaming investigation
- Final document effective August 2011 and is posted on the OEB website



Publication for Comment – Comment Letters

- Five comment letters received (on OEB's website)
- Main submissions:
 - Wait until SE-84 complete
 - Explain basis for 30% level
 - Level should be higher (marginal costs can be much higher during ramp down + need to consider opportunity costs)
 - EDAC might eliminate need for the document
 - Arbitrary threshold may result in a number of “false positives”, which could be deleterious to generator's reputation.

MSP's Assessment of Comments

- The IESO has advised the MSP and Technical Panel that SE-84 is on hold
- 30% level based on comparison of 3-hour ahead PD shadow prices (or MGBRT offers) and RT shadow prices
 - Level is based on analysis of historical shadow prices at gas and coal generator nodes
 - Level is likely to provide a high degree of assurance (but not absolute certainty) of being dispatched off
 - Final document notes that MSP will consider the nature and magnitude of higher marginal and opportunity costs during ramp down where such higher costs can be documented

MSP's Assessment of Comments (continued)

- EDAC will not eliminate self-induced CMSC on ramp down
- Prices above levels set out in the Monitoring Document will not automatically lead to a gaming investigation, nor will prices below those levels preclude one. Panel will consider the amount of CMSC payments received and local conditions in the generator's area during the relevant time period.
- Market Participants are subject to monitoring and gaming investigations whether or not the Monitoring Document is issued.