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APPRO Comments on Energy Forward Market (EFM) Review

APPRO has consistently taken the view that improvements in market efficiency are vital to the success of Ontario's electricity market, even in the present hybrid situation. We have argued for a practical and pragmatic approach to improve operation of the IESO-administered markets over time through an "incremental" approach. As part of this approach, APPRO continues to support the development of a day-ahead market in the expectation that it will result in a cost effective mechanism for increasing liquidity and reducing dispatch and consumer price volatility, and in improved overall economic efficiency.

At the same time, we continue to assert that progress in resolving ongoing real-time pricing and dispatchability is also an important priority that should be addressed in parallel with the development of a DAM.

Although we are not opposed in principle to an EFM, we see it as largely incidental at this time to progress on more fundamental matters including: a proper two settlement day ahead mechanism; ensuring better fidelity in the formation of price in real time, and: addressing well-known concerns about dispatch volatility and other market efficiency improvements.

In APPRO's view the proposed EFM is not a substitute for the development of a day-ahead market integrated with a day-ahead commitment process, which would be one leg of a two settlement process. In fact it could be counterproductive to pursue an EFM if it diluted IESO resources required to address these other more important initiatives. Our position is that the development or implementation of an EFM that required further discussion and investment of time and resources would be an unnecessary distraction from this other more important work. We therefore recommend that the IESO avoid any EFM efforts that would require re-allocation of any of the IESO's already stretched resources.