

## Annual Review of Price Basis for Determining Prudential Support Obligations

### **Summary:**

Based on the IESO's annual review performed on April 23, 2012, there are changes to the following IESO established price basis used in determining the prudential support obligations for market participants:

For metered market participants that are *distributors* = \$75/MWh

For metered market participants *other than distributors* = \$80.69/MWh

Date of next annual review: April 2013

### **Background:**

For prudential calculation purposes, the IESO is required to calculate a metered market participant's minimum trading limit and default protection amount using energy prices based on the Ontario Energy Board's ("OEB's") price forecasts for electricity in Ontario for use in setting retail prices under its regulated price plan ("RPP"). The price basis for Local Distribution Companies ("Distributors") is equal to the conventional meter RPP tier 1 price ("RPCMT1") as reported by the OEB for its tiered RPP prices. The price basis for all other market participants is equal to the RPP supply cost or its equivalent as forecasted by the OEB. The IESO annually reviews each price basis referred to in Chapter 2, section 5.3.10A of the market rules, and modifies the applicable price basis if it has increased or decreased by 15% or more from the price basis used by the IESO.

## Calculations:

### IESO established price basis effective May 1, 2010 based on the OEB Price Report:

The IESO established its current price basis for market participants using the prices published in the RPP Price Report for the period May 1, 2010 to April 30, 2011 (published April 15, 2010):

- Distributors: RPCMT1 as reported by the OEB = \$65/MWh
- All other market participants: RPP supply cost as reported by the OEB = \$69.38/MWh

### Annual review – April 23, 2012:

On April 20, 2012, the OEB published the Regulated Price Plan Report for the period May 1, 2012 to April 30, 2013:

- Distributors: RPCMT1 as reported by the OEB = \$75/MWh
- All other market participants: RPP supply cost as reported by the OEB = 80.69/MWh

The IESO identified the 15% price range to determine if the IESO established price basis should change. The price range was determined by adjusting the established price basis 15% higher and 15% lower. The IESO must change the price basis only if the prices are equal to or greater than the higher end of the range or equal to or lesser than the lower end of the range.

Therefore, the price ranges were:

RPCMT1 **\$74.75/MWh** ( $\$65.00 \times 1.15$ ) to **\$55.25/MWh** ( $\$65.00 \times 0.85$ )

RPP supply cost **\$79.79/MWh** ( $\$69.38 \times 1.15$ ) to **\$58.97/MWh** ( $\$69.38 \times 0.85$ )

The RPCMT1 and RPP supply cost price basis published by the OEB on April 20, 2012 were \$75.00/MWh and \$80.69/MWh respectively, falling outside the 15% price range. Therefore, the IESO price basis will change to \$75.00/MWh and \$80.69 effective May 1, 2012.