

IESO Stakeholder Engagement

From: Tom Hilbig
Sent: May 08, 2013 2:25 PM
To: IESO Stakeholder Engagement
Subject: SE-110 Feedback - TRA Review

Sygration does not participate in the Transmission Rights Auctions, but we do use IESO data as part of our Intertie Trader application, which is used by Market Participants that are active in this market. Below are some “independent” observations from one that monitors the TR market but does not participate in it.

1. Consider allowing laminated bids in the auction. Currently, any bid on a path only allows a single price-quantity. This, along with the fact that short auctions only have a single bid window acts as a barrier to new TRA participants. Some participants may undervalue the rights and may under-bid the (entire) quantity for a path. Alternatively, a participant may bid for less rights (MW) than they could afford if they feared the auction would clear at too high of a price. Since there is no feedback on the market value of rights until the auction is finished, participants do not receive a sense of the value nor an opportunity to change their bid price/quantity. A solution would be to allow more than one bid for any path at different quantity/prices, much like what is done in the Ontario Energy and OR markets, leading to a more efficient market price. Participants could set their bid laminations to reflect their differing levels of risk when hedging imports/export contracts.
2. Consider publishing the number of rights sold but were later returned. The post-auction data identifies the number of rights sold, but if some of these were later returned (i.e. due to payment default) these are not reported. As a result, there appears to be inconsistencies between the amount of rights available and the total sold – leaving some to feel that some rights remained, or that auctions were somehow oversold.
3. Consider breaking up the NYSI interface into 2 separate zones. While this may be out of scope of this stakeholder engagement, given the enormous distance between the New York interface at Niagara Falls and the New York interface east of Brockville, it would seem that combining them as a single intertie for the purpose of Transmission Rights leads to inefficiencies of that market.
4. Part of the review should include an assessment of the efficiency of the TR market and identify if there is sufficient competition. The value placed on the rights should approach that of the ICP paid to rights holders, minus some value attributed primarily with risk (i.e. that the congestion does not occur and the rights holder paid too much). A large gap between the cost of rights (TRA MCP) and the payout (ICP) raises the question if there is enough competition in the TR market. This may be the case as the report focused on the impact of congestion rent on the TR Clearing Account as opposed to auction revenue. The TR Market Review should assess the efficiency of the market, and how the rate of return for rights holders have changed over the years.

Best regards,

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