

# Transmission Rights Market Review (SE-110)

Analysis Results – Phase 1  
July 25, 2013



- Analysis Results
- IESO Recommendation
- Next Steps

- A review of the confidence level and associated stabilization algorithm implemented in 2004 to determine if it has achieved the intended benefits of:
  - increased competition
  - increased energy trade
  - increased participation/ownership in the TR market
- Refer to report and appendices:  
[Phase 1 Analysis: Results and Recommendations](#)

- Analysis Plan
  - Monthly offer/bid quantities of imports/exports by path, including total quantity and quantity which could be ‘hedged’ by participants who own a corresponding TR
  - Analysis expanded to include the number of participants offering/bidding on each hedged path
- Analysis Results (Appendix A)
  - No indication that confidence level changes contributed to an increase in competition through either offer/bid volumes or number of participants offering/bidding

- Analysis Plan
  - Number of participants registered as traders, including the number also registered as TR participants
  - Analysis expanded to compare registration to actual participation in the energy market and TR market as a result of TR availability
- Analysis Results (Appendix B)
  - Continuing to increase TR availability is not expected to increase the number of participants registered in the energy market and will not result in a further increase in import/export competition

- Analysis Plan
  - Percentage of hours each month with congestion in the one-hour ahead pre-dispatch unconstrained sequence by path
- Analysis Results (Appendix C)
  - No apparent link between TR availability and periods of increased congestion



- There has been no correlation between TR availability and increased competition in energy trade

- Analysis Plan
  - Monthly scheduled trade quantities based on the real-time dispatch constrained schedule, including total quantity and quantity ‘hedged’ by corresponding TR ownership



- Analysis Results (Appendix D)
  - Import Paths – no correlation between TR availability and total or hedged scheduled imports
  - Export ON-MAN path – appears to be correlation between spikes in TR ownership and energy trade in early years; however, trend does not continue with the spike in late 2011
  - Export ON-NY path – number of hedged trades remained fairly consistent with the confidence level changes between 2004 – 2008 when the number of available TRs was decreased due to a reduction in TTC. Since 2011, with the increase in TRs there has been an increase in trade (total and hedged); however, it is unknown if this is due to the increase in the TTC or stabilization increases

- There has been no definitive correlation between an increase in TR availability and an increase in energy trade

- Analysis Plan
  - Number of participants registered in the TR market and the number actively bidding in TR auctions
  - Analysis expanded to include the number of participants bidding by auction path in LT and ST TR auctions
- Analysis Results (Appendix E)
  - Overall, the number of participants bidding in ST auctions increased until 2009, then levelled
  - Confidence level changes have not resulted in a significant or continued increase in TR auction participation

- Analysis Plan
  - Number of TR holders and the percentage of the total TRs held by each, by path
- Analysis Results (Appendix G)
  - While the number of participants owning TRs has increased and decreased over time, none of the paths appear to indicate an increase in diversity of market share with any correlation to the confidence level changes

- Analysis Plan
  - Rate of return based on TR auction market clearing price and the intertie congestion price (as determined in the dispatch sequence as a comparison of price in Ontario and intertie zones)
- Analysis Results (Appendix H)
  - While competition may be appropriate on the majority of paths, there is no evidence to support a connection between rate of return and the 2004 confidence level changes.

- There has been no substantial correlation between the confidence level changes and participation/ownership in the TR market

- The confidence level changes implemented in 2004 did not materially achieve the expected benefits of increased competition and trade in the energy market and increased participation/ownership in the TR market



- 2004 confidence level changes used auction revenues to facilitate an increase in TR availability in order to achieve the intended benefits
- It was believed that the intended increase to competition and reliability would be more beneficial to loads than the use of auction revenues to offset transmission service charges
- Analysis results indicate that the intended benefits were not achieved, therefore the confidence level changes did not result in a more beneficial outcome to loads than the transmission service offset they could have otherwise achieved

- A confidence level such that congestion rents collected on each path are approximately sufficient to cover the payouts to transmission rights holders on that same path which will allow the auction revenues to be available for disbursement to the consumers as originally intended
- A reduction in the threshold of the TRCA from \$20M to \$10M

- Establishing a new confidence level for LT TR quantity, including confidence level on paths that are not currently subject to the stabilization algorithm (base quantity considerations)
- Increase and decrease of ST TR quantity based on congestion rents and TR payouts
  - Adjustment of current TR availability to a more appropriate quantity at the outset
  - Increment quantity and method

- **August 2** – Deadline for stakeholder feedback
- **Mid-August** – follow-up conference call if required
- **September** – IESO Board Meeting
- **September/October** – stakeholder meeting to discuss IESO Board decision and implementation details

## Questions?