Market Renewal FACT SHEET

Pre- or Post-Interval Pricing

#4

The single schedule market (SSM) is one initiative in the Market Renewal's Energy work stream. As part of the SSM design, it will be necessary to decide whether to use Pre- or Post-interval Pricing for determining LMPs.

What is it?

The calculation of LMPs occurs in a separate pricing run of the optimization model after the dispatch of supply is determined in a SSM. Both runs use the same optimization set up. A secondary run is needed since prices are determined from certain elements of the model that cannot be set up until after dispatch is determined.

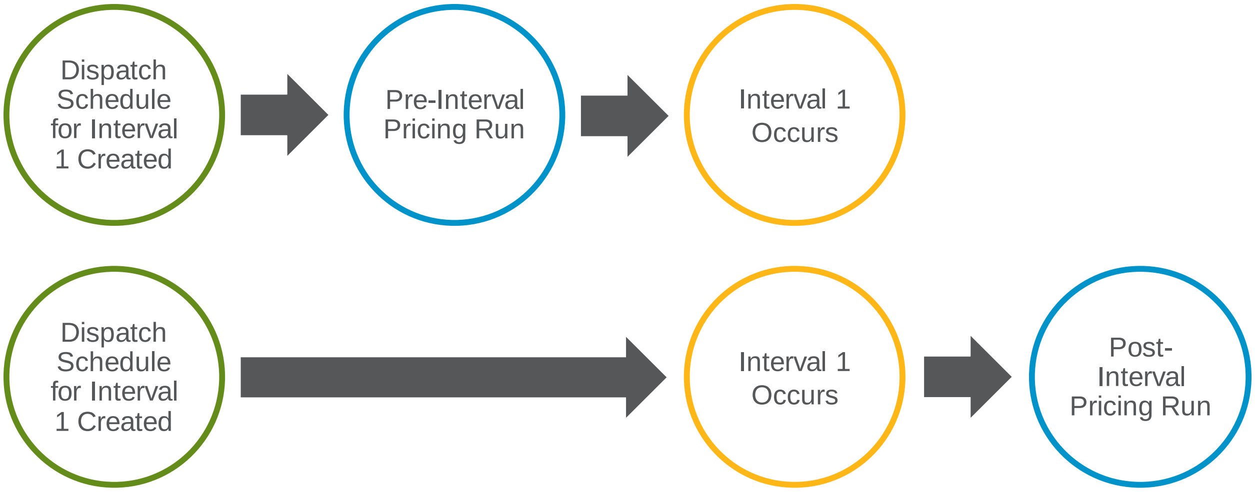
The pricing run can occur before (pre-interval) or after (post-interval) the actual dispatch interval, i.e., the five minute period for which the planned supply is dispatched.

Pre-interval Pricing uses the expected operation of generation resources but cannot consider any deviations in actual operation of generation resources because it is carried out before the interval occurs. Therefore, prices calculated using pre-interval pricing may not be consistent with actual operation of generation resources at all locations.

Post-interval Pricing does consider the actual operation of generation resources and changes in demand that occurred during the dispatch interval. The IESO currently uses Post-interval Pricing.

The example depicts the difference in timing between Pre-and Post-interval Pricing. In a Pre-interval Pricing scenario, the pricing run occurs before the interval. In a post-interval pricing scenario, the pricing run occurs after the interval.

Example-Pre- and Post-Interval Pricing



Why is it important?

The choice of whether to use Pre- or Post-interval Pricing is based on the relative importance of whether prices should reflect the conditions used for the dispatch schedule (Pre-interval Pricing) or actual conditions that took place during the dispatch interval (Post-interval Pricing).

Post-interval Pricing improves alignment of prices with actual operation. However, in a single schedule market Post-interval Pricing poses a key disadvantage: it can result in significantly overstated or understated prices and congestion at certain times. Therefore most other ISOs have migrated to Pre-interval Pricing.