

IESO Stakeholder Engagement

From: Bruce Bleiweis
Sent: April 23, 2012 4:05 PM
To: Drazic, Daniela; IESO Stakeholder Engagement
Subject: IJTSC Meeting

Daniela,

Sorry for the delay in responding.

As discussed on the April 12, 2012 call, IESO is considering limiting the export settlement to not less than \$0/MW, eliminating payments to exporters during negative pricing. DC Energy appreciates the IESO desire for input on this subject and provides the following comments.

Overall, DC Energy opposes this change. The IESO has estimated the perceived benefit to consumers of its proposed pricing change but has not fully considered the harm. For one, the IESO's suggestion to not let prices reflect actual system conditions and pay all participants accordingly amounts to artificial pricing -- and this inaccurate and inconsistent pricing will have the effect of driving away liquidity from the market which in the long-term will hurt consumers. Put simply, markets function best and provide maximum benefits for consumers when artificial prices are not imposed. In addition, there's a very real reliability benefit to being able to export power off the grid in surplus base load generation situations, and artificially flooring the export price can compromise IESO's abilities to do so. Particularly with the return of additional nuclear capacity and the addition of new wind capacity, the need to economically offload surplus power will only increase. Finally, as discussed during the April 12th meeting, the instant issue (hours in which negative prices occurred) has only occurred infrequently (i.e., only ~5% of the hours in 2011 and only a fraction of the intervals in such hours), calling into question whether such an extreme measure (artificially setting price) is warranted.

In conclusion, DC Energy submits that the proposed change will not provide a net benefit to consumers in the long run, and as such, IESO should at a minimum more fully consider the potential harm to consumers before enacting it.

Bruce Bleiweis, Director
DC Energy