

ELECTRICITY MARKET OBJECTIVES

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What is the Role of Electricity Markets?

Markets enable the efficient allocation of resources in different time frames

Competition

Incentives based on competition drive efficient market participant behaviour and result in cost-effective outcomes

Price Signals

Clear and transparent price signals drive the coordination of decisions made by market participants

Outcomes

Markets are most effective when sending price signals that maximize the economic welfare of both consumers and suppliers

Price Signals Are Important

Proper electricity prices serve to¹:

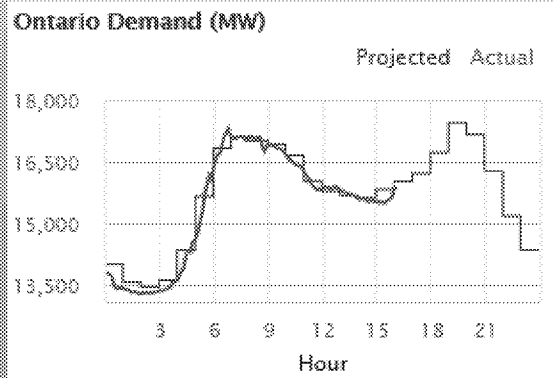
- provide correct **incentives** for market participants to:
 - follow commitment and dispatch instructions,
 - make efficient investments in facilities and equipment, and
 - maintain reliability
- provide **transparency** on how prices reflect the actual marginal cost of serving load and the operational constraints of reliably operating the system; and
- ensure that all market participants have an **opportunity** to recover their costs

¹ based on FERC Docket AD-14-14

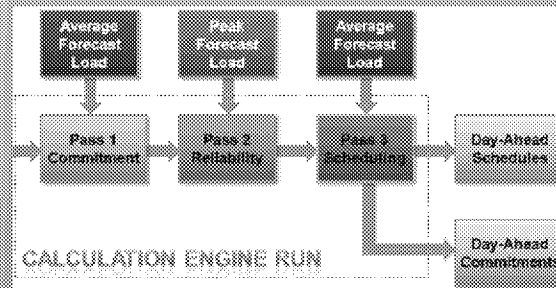
Price Formation in Energy and Ancillary Services Markets Operated by Regional Transmission Organizations and Independent System Operators

How does Ontario Stack Up?

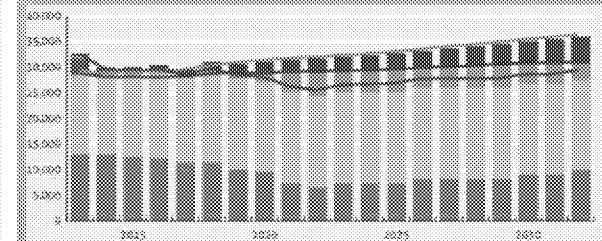
Real-Time



Day-Ahead



Long-Term



Questions to Keep in Mind

- Are our current markets efficient?
- What is the root cause of any inefficiency?
- How is that inefficiency manifested in outcomes?
- What could be improved?
- Are proposed changes consistent with the role of electricity markets?
- Would changes be enduring, sustainable and meet future needs?
- What issues and unintended consequences might there be?