

# Feedback Form

## MRP Implementation: Market Entry and Prudential Security

The IESO is posting a series of market rules and manuals documents as part of the implementation phase of the Market Renewal Program.

These documents are posted to the following engagement webpage: [www.ieso.ca/en/Market-Renewal/Stakeholder-Engagements/Implementation-Market-Rules-and-Manuals-Engagement](http://www.ieso.ca/en/Market-Renewal/Stakeholder-Engagements/Implementation-Market-Rules-and-Manuals-Engagement).

Stakeholder feedback for this batch of documents is due by November 9, 2020 to [engagement@ieso.ca](mailto:engagement@ieso.ca).

### Feedback Provided by:

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Organization: Electricity Distributors Association (EDA)

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Date: November 9, 2020

## Feedback on Market Entry Governing Documents

Feedback on Market Rules	Feedback
Please include any views on whether the draft language related to <b>Participant Authorization</b> clearly articulates the requirements for either the IESO or market participants. Please provide any alternative language by inserting the draft language in the feedback column and red-lining the suggested changes. Please also note the section and page number.	No Comment

Feedback on Market Rules	Feedback
Please include any views on whether the draft language related to <b>Facility Registration</b> clearly articulates the requirements for either the IESO or market participants. Please provide any alternative language by inserting the draft language in the feedback column and red-lining the suggested changes. Please also note the section and page number.	No Comment

Feedback on Market Manuals	Feedback
Please include any views on whether the draft language related to <b>Market Manual 1.5</b> clearly articulates the requirements for either the IESO or market participants. Please provide any alternative language by inserting the draft language in the feedback column and red-lining the suggested changes. Please also note the section and page number.	No Comment

## Feedback on Defined Terms Governing Documents

Feedback on Market Rules	Feedback
Please include any views on whether the draft language related to <b>Chapter 11 Defined Terms</b> clearly articulates the requirements for either the IESO or market participants. Please provide any alternative language by inserting the draft language in the feedback column and red-lining the suggested changes. Please also note the section and page number.	No Comment

## Feedback on Prudential Security Governing Documents

Feedback on Market Rules	Feedback
<p>Please include any views on whether the draft language related to <b>Prudential Security</b> clearly articulates the requirements for either the IESO or market participants. Please provide any alternative language by inserting the draft language in the feedback column and red-lining the suggested changes. Please also note the section and page number.</p>	<p>See "General Comments/Feedback" below.</p>

Feedback on Market Manuals	Feedback
<p>Please include any views on whether the draft language related to <b>Market Manual 5.4</b> clearly articulates the requirements for either the IESO or market participants. Please provide any alternative language by inserting the draft language in the feedback column and red-lining the suggested changes. Please also note the section and page number.</p>	<p>See "General Comments/Feedback" below.</p>

## Stakeholder Comments to be forwarded to Technical Panel

Stakeholder comment is requested on the following IESO directed questions that will be forwarded to Technical Panel for their consideration in the recommendation of market rules to the IESO Board of Directors.

Question	Feedback
<p>Do you believe there is a clear and common understanding of the intent and purpose of the draft market rule amendment?</p>	<p>Yes, however, see "General Comments/Feedback" below for more details on concerns raised by the EDA with respect to IESO's implementation process.</p>
<p>In your view, is this market rule amendment in the interest of consumers with respect to prices?</p>	<p>The EDA is uncertain whether the amendments are in the interest of consumers with respect to prices. As further discussed in "General Comments/Feedback" below, the impacts of MRP on LDC customers has not been assessed.</p>

Question	Feedback
In your view, is this market rule amendment in the interest of consumers with respect to the reliability of electricity service?	The EDA is uncertain whether the market rule amendments are in the interest of consumers with respect to reliability of electricity service.
In your view, is this market rule amendment in the interest of consumers with respect to the quality of electricity service?	The EDA is uncertain whether the market rule amendments are in the interest of consumers with respect to quality of electricity service.
In your view, are there any adverse effects (not identified in a previous answer) that may be caused by implementing these proposed changes, either to consumers or market participants.	See "General Comments/Feedback" below.
General Comments	See below.

## General Comments/Feedback

Ontario's local distribution companies (LDCs) are the face of the industry to the overwhelming majority of the end users in the province: they serve over 5,000,000 customers and in 2019 delivered approximately 125 TWh – or about 90% - of all the electricity used in the province.

These are the comments of the Electricity Distributors Association (EDA) on the Independent Electricity System Operator's (IESO) Batch 1 Market Rule and Market Manual Amendments for the Market Renewal Program (MRP). Our focus is on matters directly relevant to LDCs, that the IESO will assign non-dispatchable load (NDL) status when MRP is deployed, and LDC-connected customers.

Throughout the Detailed Design phase, we have stated that in addition to identifying the required amendments to IESO Market Rules and Market Manuals, the IESO, the Ontario Energy Board (OEB), and the Ministry of Energy, Northern Development and Mines (MENDM) should proactively engage with LDCs and their customers to identify, scope, evaluate and decide on enabling legislative amendments, amendments to regulatory policy and amendments to regulatory instruments. For example, the IESO's published materials to date have not provided instruction as to which wholesale market price produced in the renewed market will be applied to non-Regulated Price Plan (RPP) customers and it remains unclear how LDCs will be invoiced under MRP and, by extension, how their customers' bills will change. We continue to assume that the OEB will amend the formulas it uses to calculate RPP prices to use the appropriate new wholesale market prices (e.g., the Day Ahead Market (DAM) Ontario Zonal Price, Real-Time (RT) Ontario Zonal Price, etc.). We also assume that the OEB will amend the formulas used in the Retail Settlement Code, e.g., to replace references to the Hourly Ontario Energy Price (HOEP) with the appropriate new wholesale market price. These changes to OEB codes will clarify how the electricity commodity charges for non-RPP customers, whose electricity commodity charges currently consist of the HOEP and Global Adjustment charges, are to be quantified in the reformed market. These clarifications are essential for our LDC members who will

be responsible for implementing revised, or possibly new, settlement and billing processes and who will be the main point of contact for electricity customers with respect to changes on electricity bills. We repeat these comments in this submission as it is relevant to our review of IESO's draft market rule and market manual amendments as illustrated in points 2 and 3 below.

This submission focuses on market rule and market manual amendments impacting LDC prudential security. In the EDA feedback submission to the IESO pursuant to the draft Prudential Security Detailed Design (submitted February 2020), we stated:

The EDA looks forward to engaging with the IESO in the future when LDC prudential security requirements that provide increased detail, specificity and granularity are made available and, ideally, supported with worked examples. The EDA anticipates that these descriptions will be made available in advance of the elimination of the Hourly Ontario Energy Price.

The EDA asserts that surety bonds should be included in the forms of acceptable prudential security as they are expected to be both an appropriate form of security and lower cost.

The IESO's response to the EDA's feedback (posted March 2020) was:

The IESO will develop more detailed prudential security requirements during implementation, informed by the rate estimate descriptions in Table 3-1 of the detailed design document.

A recent prudential framework review concluded that surety bonds are not an acceptable form of collateral as there may be delays or even cease of payments to the IESO.

The EDA's comments in respect of the proposed amendment related to Prudential Security is as follows:

1. Clarification with respect to the IESO implementation phase process
2. Need for OEB input to determine LDCs' actual exposure in the market
3. Appropriateness of IESO approach to determine prudential support
4. Need for review with implementation working group(s)

### **1. Clarification with respect to the IESO implementation phase process**

Based on IESO's comments during the MRP engagement, our expectation has been that amendments to the Market Rules and Market Manuals would be drafted and posted for comment once the Detailed Designs were completed with stakeholder feedback incorporated. While the IESO has provided a response to comments on Prudential Security, the IESO has not engaged in a discussion with LDCs, nor has the IESO updated the Detailed Design to reflect stakeholder comments. Further, the IESO will receive stakeholder comments on the complete first draft Detailed Design package up until December 2, 2020. While we acknowledge that "Batch 1" amendments are substantially administrative in nature, matters such as prudential security could have material impacts on LDCs.

We therefore request that the IESO update its stakeholder engagement plan to reflect updated processes, and outline how IESO's Implementation Phase may be dependent on information from outside processes (e.g., regulatory processes as discussed below.)

## **2. Need for OEB input to determine LDCs' actual exposure in the market**

An LDC's actual exposure in the market will be, in part, determined by electricity prices that will be paid by its customers. To date, we do not have guidance from the OEB with respect to what new price produced by the IESO will replace HOEP for LDC customers (i.e., consumers that are not IESO Market Participants). Without this input, it is difficult for the EDA to comment at this time with respect to the appropriateness of the IESO's proposed amendments to recalculate prudential support following the implementation of MRP.

## **3. Appropriateness of IESO approach to determine prudential support**

Based on the IESO's draft Market Settlement Detailed Design, NDLS will be charged for consumption based on the sum of the DAM Ontario Zonal Price and the Load Forecast Deviation Charge (LFDC). The amendments proposed by the IESO would calculate prudential support for NDLS based on the higher of a) the average DAM Ontario Zonal Price, and b) the average RT Ontario Zonal Price. The EDA seeks additional analysis from the IESO as to whether the prudential support required reflects the LDCs' actual exposure in the market. In particular, we question the appropriateness of basing prudential support on the RT Ontario Zonal Price if NDLS are not settled at the RT Ontario Zonal Price. The LFDC may increase or decrease (and can be negative) based on the difference between the NDL quantity scheduled in the DAM and the actual quantity withdrawn in real-time, and variations between the DAM Ontario Zonal Price and the RT Ontario Zonal Price. The accuracy of IESO forecasts determine these variables. In addition, we note that the prudential support calculations do not consider the new Congestion Rent and Loss Residual amount that will be owed to consumers on a monthly basis.

Overall, we believe it is appropriate for LDCs and the IESO to review scenarios in order to be convinced of the appropriate amount of prudential support, and to consider input from the OEB with respect to prices that would be charged to LDC customers.

## **4. Need for review with implementation working group(s)**

We recommend that the IESO engage with LDCs to evaluate and determine the appropriate amount of prudential support in a working group setting. The EDA and the IESO have identified a number of topics to be addressed during the implementation phase, including other matters related to LDC readiness. We believe a working group approach is required to address outstanding concerns with the Detailed Designs and to prepare for the review of draft Market Rule and Market Manual Amendments.

The EDA also requests that the IESO revisit its decision with respect to the acceptability of surety bonds as prudential support, which may support reduced costs for LDCs. The EDA asserts that surety bonds would save LDCs, and ultimately customers, a significant amount of money while continuing to mitigate risk. It should be noted that there has been no default by any LDC in recent memory.