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June 22, 2018

IESO Engagement

## **Re: Energy Workstream Comments**

OPG appreciates the opportunity to provide comments following the Market Renewal Energy Workstream stakeholder engagement meetings which discussed design considerations for Single Schedule Market (SSM), Day Ahead Market (DAM), Enhanced Real Time Unit Commitment (ERUC) and Market Power Mitigation (MPM) on May 23-24, 2018.

### **SSM**

#### *Energy Price- Loss Component*

As stated in OPG's SSM comments on January 19, 2018, OPG supports more frequent updates of loss factors short of moving to Real-Time dynamic loss factors which previously resulted in dispatch volatility issues. OPG looks forward to the IESO's proposed solutions for implementation.

#### *Congestion Rents and Loss Residuals*

The January 30, 2018 load pricing presentation that first introduced the concept of a disbursement process stated it could be introduced as a 'temporary measure to be phased out over a number of years' (to mitigate impacts on Ontario loads moving away from a uniform price). Is the preliminary design decision intended to be temporary with the eventual transition to a traditional FTR market?

### **DAM**

#### *Reference Quantity*

The IESO concluded that the variability of reference quantities makes it impractical for use in offer obligations in the DAM. Instead, the IESO recommends continuing with the use of the Availability Declaration Envelope (ADE) to assess reliability while using reference quantity in after-the-fact assessments of potential physical withholding for market power mitigation.

With respect to the use of ADE, OPG recommends that the application of ADE for hydroelectric resources be similar to that of variable generators where ADE represents a resource's registered

capacity less derates. A hydroelectric resource's ADE should not be used in the IESO's assessment for reliability. Similar to the treatment of variable generation, OPG recommends the IESO's reliability assessment be based on forecast conditions (reflected through offers). This treatment encourages a hydroelectric resource's DAM submission to more accurately reflect expected conditions rather than an adequate ADE in Real-Time. As a result, the IESO's reliability assessment would more accurately reflect expected conditions.

The IESO's presentation materials in October 2017 highlighted that while most other markets have DAM must offer obligations, these apply to resources that the ISO depends on to meet capacity requirements. The IESO's January 2018 preliminary decision for reference quantity provided offer obligations for supply (and load) resources that are used to satisfy IESO resource adequacy requirements. In March, the IESO's revised decision obligates all registered supply resources to offer or forecast a reference quantity, regardless of whether the resource has a capacity obligation. OPG understands that the IESO's objective with this decision is to prevent physical withholding but believes that similar other markets, merchant generators without capacity obligations should not be obligated to offer in the DAM. OPG is interested in how other markets address concerns of physical withholding for merchant generators without must offer obligations.

#### *Submission and Posting Deadlines*

The IESO is assessing the impact of implementing DAM submission and posting deadlines in Eastern Prevailing Time (EPT) for all hours of the year rather than using Eastern Standard Time (EST) and adjusting for Daylight Savings Time (DST). OPG supports the proposed change which would maintain alignment of DAM submission and posting deadlines with the gas nomination window throughout the year.

#### *Uplift Recovery*

Slide 44 of the IESO's presentation illustrates how load and virtual supply cause additional resource commitments. As the diagram does not show virtual loads, please clarify how virtual loads would factor into the proposed uplift recovery calculation. Specifically:

- i) If the economical virtual load bids and virtual supply offers are equivalent, would the virtual supply offer still be subject to an uplift charge if the RUC run required additional unit commitment?
- ii) Is there an uplift charge allocated if a virtual load bid causes additional unit commitments in the Bid pass that wouldn't be required in the RUC pass?

## **ERUC**

### *Intertie Transactions*

The IESO presented that pre-dispatch will evaluate emergency and capacity backed intertie transactions over all hours of the Look Ahead Period (LAP). Would the IESO please confirm if pricing principles in the pre-dispatch timeframe will be consistent with those discussed in the SSM stream “Out-of-market Operator Actions.” This stream states that prices should reflect scarcity to encourage market response and not allow actions to create counter intuitive pricing. For example, if emergency transactions are scheduled in pre-dispatch, dispatch advisory schedules will consider the presence of the transactions; however, they will not be reflected in the LMPs.

### **Market Power Mitigation**

#### *Uncompetitive Intertie*

Intertie transactions are not cost-based and do not have reference prices like generators. As a result, traders face an unknown downside risk in the event a transaction is mitigated. For this reason, OPG believes that in the event an intertie has been designated as uncompetitive, notification should be given to participants so they can react accordingly.

Regards,  
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