
August 15, 2018

IESO Engagement

Re: Energy Workstream Comments

OPG appreciates the opportunity to provide comments following the Market Renewal Energy Workstream stakeholder engagement meetings held on July 18-19, 2018. OPG's comments address materials presented for the Single Schedule Market (SSM), Day Ahead Market (DAM), Enhanced Real Time Unit Commitment (ERUC), Market Power Mitigation (MPM) and Optimization of Energy Limited Resources.

SSM

Benefits of SSM to Ontario Consumers

On slide 12 of the SSM presentation, the IESO states that the proposed Zonal Pricing structure versus the status quo provides an annual average reduction in energy costs of \$246M (between 2014-2017). OPG would appreciate additional details regarding this value. Specifically:

- a) What floor prices and ceiling prices were used in the analysis?
- b) Of the total \$246 M in savings, the breakdown by source from which savings were achieved (e.g. CMSC reduction, lower prices, etc.)
- c) What is the impact to the \$246 M value net of Global Adjustment?

Constraint Violations

The IESO provided 7 guidelines for pricing constraint violations on slide 45-46. OPG supports guidelines 1-3 and 6-7 which are methodical guiding principles. However, OPG reiterates its views submitted on January 19, 2018 that prices should be consistent with the reliability value even if it is determined to exceed \$2000. As is the case with NYISO, this supports transparent price signals to the market rather than utilizing an artificial price cap and also encourages the market to solve constraints rather than relying on uplifts. Based on this rationale, OPG does not agree with the guidelines 4 and 5.

Intertie Congestion Pricing

The IESO presented a 3rd option for intertie congestion pricing where the settlement price equals:

- a) RT intertie price if there is no congestion in PD
- b) PD intertie congestion charge plus RT intertie price if export congested
- c) Lower of the RT intertie price or final PD price on the intertie if import congested

OPG commends the IESO for listening and responding to participant concerns regarding option 2 under export congestion by revising its proposal in option 3. OPG continues to have concerns with the proposed option 2 price treatment under import congestion. OPG would appreciate additional clarification on bullet two on page 58 from the July 28, 2018 presentation that option 1 can lead to inflated costs for loads when import congested.

On a more generic topic of intertie and internal transactions, OPG would appreciate any information the IESO could share on the following:

- 1) Regarding wheel-through transactions in the future:
 - a) Will the 'implied wheel' concept continue to exist in the RTM- that is, if a marketer has scheduled an import for 50 MW in HE8 at intertie A and in the same hour has independently scheduled an export for 80 MW at intertie B, will the IESO imply a 50 MW wheel-through?
 - b) Will the IESO adopt the NYISO model of "congestion bidding" or the MISO model of "Up to TUC (Transmission Usage Charge) bidding" for wheel-through transactions?
- 2) How does the IESO expect moving to an LMP market will affect Ontario's current structure of physical bilateral contracts? Will the ability for bilateral contracts to be conducted between two different locations be available as opposed to the status quo of a single location?

DAM

Virtual Transactions

OPG agrees with the IESO's preliminary decision to implement virtual transactions on Day 1 of DAM and to implement virtual transactions at aggregate nodes.

The IESO also presented that virtual transactions would not be allowed at intertie zones on the basis that intertie transactions are already in effect virtual transactions and would not provide additional functionality or liquidity to the DAM. OPG believes implementing virtual transactions at intertie zones rather than utilizing intertie transactions to achieve the same result would be beneficial to the IESO by providing greater visibility (and certainty) of expected flows across the interties.

Submission and Posting Deadlines

OPG supports the IESO's decision to execute DAM between 10:00 and 13:30 EPT.

Reporting Obligations

The table on slide 48 indicates the IESO will publish hourly offered and cleared virtual transactions in aggregate form. OPG understands this to mean the hourly offered and cleared virtual transactions will be published for each aggregate node. OPG would appreciate confirmation that this is the case.

Market System Failure

On slide 57, the IESO provides three methods that can be used to provide an approximation of what the market price should have been absent a RTM Failure (no suspension). While all three methods address price determination, only method 3 addresses determination of schedules. OPG would appreciate clarification on how the IESO would determine schedules if prices are determined using methods 1 and 2.

ERUC

Look-Ahead Period

The IESO has investigated four options to facilitate an 18:00 publishing of ERUC that would span the following day and has determined that none of the options are workable. OPG understands that software capabilities *may* be a limiting factor but recommends that the IESO consider delaying this preliminary decision until the software vendor has been acquired and there is greater certainty of actual software capabilities.

The IESO believes the 20:00 timeframe will be adequate for participants to plan for the next day on the basis that DAM is expected to result in greater certainty of schedules compared to today's DACP combined with the improved scheduling of the PD engine. While greater scheduling certainty should be expected due to improved participation and engine enhancements, there remains other contributing factors that may have a greater impact on inhibiting the ability for participants to adequately plan for the next day. The IESO recognizes in its design element "Timing and Frequency of Runs" that there may be significant changes to system conditions between publishing of DAM at 13:30 EPT and 20:00 which may require additional operational commitments. Unanticipated outages or revised demand forecasts due to changing conditions (to an extent) are unavoidable. Capturing these changes in an earlier ERUC run would improve planning for participants and also facilitate greater transparency for the additional operational commitments that are required.

Timing and Frequency of Runs

A secondary preliminary decision was presented stating that the IESO may evaluate whether additional operational commitments are needed between DAM publishing and the first ERUC run extending into the next day and if required, would result in additional commitments based on a resource's submitted lead time.

OPG would appreciate additional clarification on this decision:

- a) What criteria will the IESO use to evaluate whether additional commitments are required if it does not have the engine capability to run a parallel ERUC run during this period?
- b) As the rationale for additional commitments is reliability, will lead time be the only factor considered in determining which resource is committed?

Intertie Transactions

Since non-DAM intertie bids and offers will not be considered in PD runs outside of the T+2 timeframe and Ontario is generally a net exporter, how does the IESO expect its planning for SBG situations to change?

Calculation of Cost Guarantee

The IESO presented two options for ramp down cost recovery:

- i) Continue the current ramp down settlement payment (RDSA)
- ii) Include ramp down costs in the generator's start-up cost offer

OPG prefers option 2 where ramp down costs are included in the start-up offer on the merits of a more competitive and administratively simple approach compared to option 1.

Market Power Mitigation

Uncompetitive Interties

The IESO intends to notify participants prior to the designation of uncompetitive interties. Would the IESO please clarify how much advanced notice would be given?

Optimization of Energy Limited Resources

OPG appreciates the progress update provided and will be submitting feedback together with its comments by August 24 from the August 1 ELR meeting with hydroelectric market participants.

Regards,
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