

## **SUMMARY**

In April 2013 the IESO initiated a two-phase stakeholder engagement initiative of the IESO's Transmission Rights (TR) Market. Phase 1 sought feedback from stakeholders on a review of the TR confidence level and its associated stabilization design. The implementation of Phase 1 is nearing completion. Phase 2 is intended to be a comprehensive review of the TR market as a whole. Phase 2 will consider whether the TR market is providing intended benefits and will make recommendations about potential inefficiencies or improvements.

The IESO is proposing to defer Phase 2 until more information is available about potential enhancements to Ontario's real-time electricity market which may have an impact on the current design of the TR market.

## **PHASE 1**

Phase 1 reviewed the TR market confidence level and stabilization algorithm implemented in 2004. Under the IESO market rules the IESO Board has the authority to establish a confidence level reflecting the degree to which the congestion rents collected by the IESO in a given period will be sufficient to cover the IESO's payment obligations to TR holders.

The stabilization design implemented in 2004 was intended to arrive at a confidence level at which the IESO's TR payment obligations would exceed the congestion rents collected while maintaining the balance of the transmission rights clearing account (TRCA) at a threshold of \$10 million (now \$20 million) by increasing or decreasing the number of short-term TRs available for auction based on the disposition of the TRCA. It was intended that an increase in TR availability would provide benefits of increased trade and competition. However, the balance in the TRCA continued to increase and by December 2012 there were many paths on which TR quantities had been increased to the upper limits, meaning that further increases under the algorithm were not possible. With stakeholder input, the IESO conducted analysis and determined that the intended benefits of the 2004 confidence level were not materially achieved. In September 2013 the Board revised the confidence level such that congestion rents collected should be approximately sufficient to cover the IESO's TR payment obligations on a path basis. Stakeholder efforts under Phase 1 are now complete and changes to the confidence level are being implemented in stages.

## **PHASE 2**

Phase 2 is intended to be a comprehensive review of all aspects of the current TR market structure. It is expected to include a review of other North American TR markets and consider whether aspects from those markets would be appropriate in the IESO's TR market. The implementation of Phase 1 has made improvements in advance of Phase 2, including a modified ratio of short-term and long-term TRs that

will achieve the newly established confidence level, and revised outage considerations which enable a more realistic view of outages when determining the number of TRs available for auction.

In 2015 the IESO will seek consideration and input from stakeholders on a number of potential enhancements to Ontario's real-time electricity market which have the potential to impact the TR market. The timing of Phase 2 is dependent on the timing of the potential enhancements. The IESO proposes to defer Phase 2 while the consultation process is underway and until the potential enhancements being considered for Ontario's real-time electricity market are further along in the stakeholder/design process. The IESO expects to update the proposed timing for Phase 2 of the Transmission Rights Market Review stakeholder engagement by Q4 2015.

For more information visit <http://www.ieso.ca/Pages/Participate/Stakeholder-Engagement/SE-110.aspx>