

May 3, 2013

IESO Stakeholder Engagement

Re: SE-110 Transmission Rights Market Review

OPG would like to take this opportunity to comment on the Phase 1 discussion paper issued on April 11, 2013 as presented during the webinar held on April 29, 2013.

Are there barriers for participation in the TR market that may have prevented you from purchasing the additional TRs made available through stabilization?

OPG does not believe that there are any significant barriers to participation in the Transmission Rights Market (TR). However, the current TR market has correctable deficiencies related to the bidding mechanism and TR composition. OPG is of the belief that improvements to the design would increase participation and improve the overall effectiveness of the TR Market.

Does the ownership of TRs affect trading decisions, and why or why not?

Generally speaking the ownership of TRs forms an important component of the trading decision. Part of the assessment of the viability of trade incorporates a risk premium; owning TRs provides an effective hedge that mitigates congestion risk and therefore reduces this risk premium. Ownership of TRs increases the probability that traders will engage in trade that otherwise may be deemed unprofitable.

If the quantity of auctioned TRs is reduced as a result of Phase 1 of this review, what effect would that have on trading decisions?

TRs are an important risk mitigation tool for physical energy traders and therefore the quantity available to these traders will ultimately affect the overall level of activity at the interties. A reduced TR quantity would result in more traders operating without TRs that consequently evaluate trading opportunities with a higher risk premium to cover possible congestion losses. The lack of TRs would be *de facto* an impediment to trade resulting in fewer trading positions, ultimately decreasing intertie activity and adversely affecting the overall efficiency of the market.

OPG is interested in the overall design of the Ontario TR Market and is looking forward to providing input to Phase 2 of the TR Market review.

Regards

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