

Item #	Respondent Name	Submission Date	SE-110: TR Market Review - Questions/Comments	IESO Response
1	HQ Energy Marketing Inc.	June 23, 2014	<p>The proposed Financial Upper Limit is established based on the "old summer base quantity", which, in turn, is based on a set of criteria comprising notably "planned and contingent outages and system security" (see April 11, IESO Discussion Paper). Further, the IESO is proposing to revisit its "outage limitation criteria" for short-term auctions, by lowering the threshold from 7 to 2.5 outage days in a month.</p> <p>1.1 Please explain concretely how the new outage limitation criteria translates into revised quantities of TR auctioned. Is it impacting the TR quantities through the "Financial Upper Limit" or through another mechanism?</p> <p>1.2 Please provide the impact on TR quantities of using the new outage limitation criteria.</p> <p>1.3 Was the previous outage limitation criteria (7 outage days per month) achieving simultaneous feasibility in the TR Markets (rents = payment obligations)?</p> <p>1.4 What is the target implementation date for the new outage limitation criteria? Is it for the October 2014 TR auction as well?</p>	<p>The starting Financial Upper Limit for the maximum TR volume offered in the first 3 months on each path is equal to the old summer base quantity on each path. In future months, either the Interim Maintenance Process or the final Maintenance Algorithm will have the ability to increase or decrease the Financial Upper Limit based on financial balance between congestion rents and TR payments. This adjusted financial upper limit will be carried from month to month and increased/decreased as per the algorithm. On the high side the Financial Upper Limit is capped by Summer ATC with all elements in service. On the low side there is no cap. The Financial Upper Limit represents the maximum TRs that should be valid in any given month in order to balance the congestion rents and TR payments provided there are no impactful outages/constraints in that month.</p> <p>The outage limitation criteria does not impact the Financial Upper Limit that is carried from month to month, so an outage in one month will not reduce the Financial Upper Limit carried into the next month. However, outage limitations can prevent TRs from being auctioned up to the Financial Upper Limit in any given month. This is because outage limitations are used to provide an accurate representation of the intertie's capability in a given month. If the intertie is not capable of transfers up to the Financial Upper Limit in any given month due to impactful outages/constraints, then TRs will not be offered up to the Financial Upper Limit in that month.</p> <p>For example, a fictional path may have a Financial Upper Limit of 1000MW in a given month, but there are impactful outages in that month such that the outage criteria limits the TRs to 500MW. The financial upper limit of 1000 MW is the number that will be carried over to the next month and adjusted as per the algorithm if needed. The limitation of 500MW is not carried over as an upper limit into the next month. Short-term outage limitations are relevant only in the month evaluated.</p> <p>With the new outage limitation criteria, the set of outages considered for limiting the number of TRs offered on a path will be greater. As a result, the possibility of limiting TRs due to an outage is increased.</p> <p>No. As reported in Monthly Market Report for May 2014, the TR payouts significantly exceeded the congestion rents in 11 of the 12 months. This should not happen if effective outages are properly considered. Therefore, the short-term outage criteria are being modified with consideration to operating decisions and historical performance. The modification will result in the same outage ratio for both long and short-term TR offerings.</p> <p>Yes</p>
2	HQ Energy Marketing Inc.	June 23, 2014	Please confirm that in the IESO proposal, in both the "Interim Maintenance Process" and in the "Maintenance Algorithm" the total number of TRs will always be capped by the "Summer ATC w/ ALL Elements I/S" value.	The total number of TRs will always be capped by the lowest of the summer or winter ATC w/all elements I/S. This is typically the summer ATC.
3	HQ Energy Marketing Inc.	June 23, 2014	Please confirm that the long-term TRs will always be capped by the new base quantity ("ATC"/4) in the IESO proposal.	The maximum number of long-term TRs will be capped at the new base quantity. There may be some initial months where previously sold long-term TRs are above this cap. Once those TRs expire, long-term TRs will be capped to the new base quantity. However, over time it is possible that the Financial Upper Limit can be reduced below the value of the new base quantity. If this happens, long-term TR offerings will be restricted by the Financial Upper Limit.