

Market Renewal Update

Stakeholder Advisory Committee

August 22, 2018

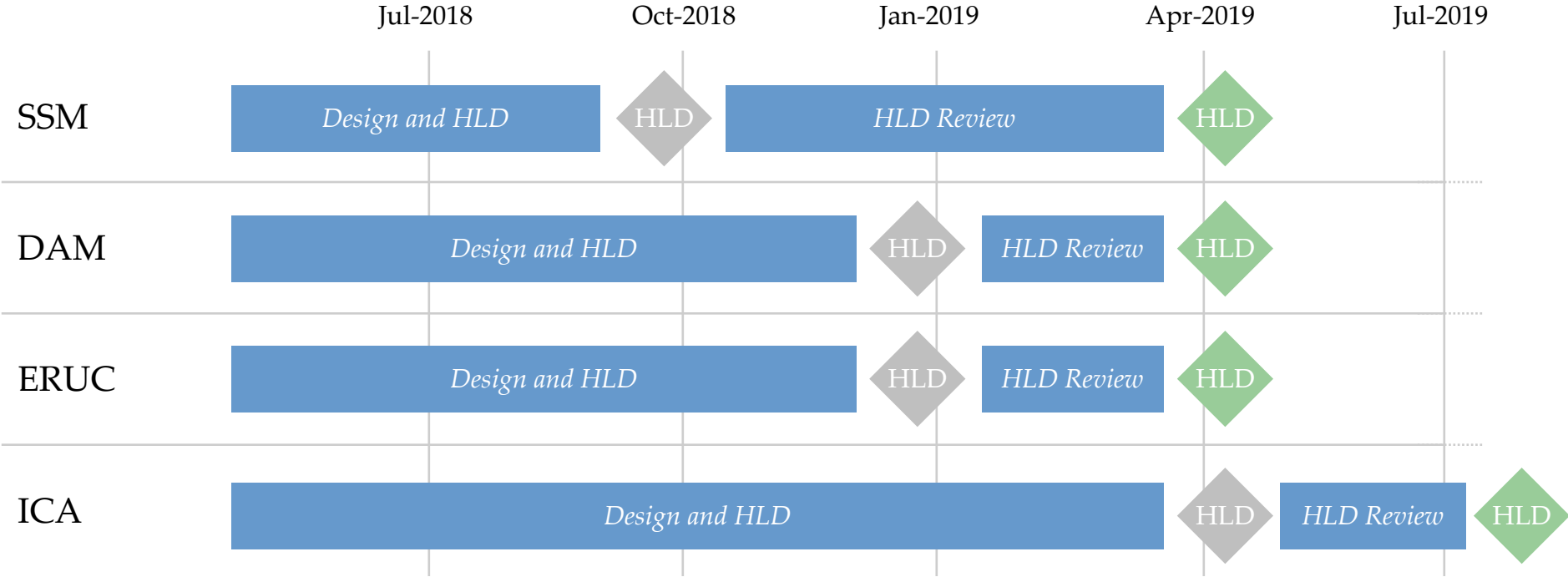
Purpose

This presentation provides an update on the Market Renewal project and outlines the IESO's proposed approach for review of the Energy High Level Designs (HLDs)

Questions for SAC Feedback

- What feedback do SAC members have on the proposed Energy HLD review process?
 - Is the proposed schedule reasonable to ensure stakeholders can conduct a thorough review?
 - What should the IESO consider as it develops the education sessions to aid in the HLD review?
 - Is the timing for the technical Q&A (half way through the 8 week HLD review period) appropriate for stakeholders to review the HLD and provide feedback?
- What should the IESO consider as it transitions to detailed design engagement?

Energy and Capacity Timelines



 = DRAFT HLD published
  = HLD final

Market Renewal General Update

- ✓ Over 50 Market Renewal stakeholder engagement and Market Renewal Working Group meetings held to date
- ✓ On track to publish Energy High Level Designs (HLDs) in 2018
- ✓ ICA HLD to follow in spring 2019
- ✓ Review of governance/decision making framework to be completed by end of 2018
- ✓ Preparing to transition to detailed design phase of engagement
- ✓ Preparing to introduce enduring Markets Committee
- ✓ Over the coming months the IESO will also be engaging with LDCs to discuss how the MRP may impact their process and tools

Capacity Update

- Due to the complexity of the design, the 19 design elements have typically been presented and discussed in isolation. As the process moves closer to identifying the preferred design decisions, the fall stakeholder engagement meetings will discuss overall auction approach (Sept) and preliminary decisions (Oct), focusing on the participation model elements.
- The IESO fall stakeholder sessions will include a review of ICA Demand Curve modelling results
- HLD draft to be published externally in spring 2019

Energy Update

Enhanced Real-time Unit Commitment (ERUC):

- Preliminary decisions for all 13 design elements have been presented to stakeholders
- Most recent decisions were presented in July; feedback will be addressed in the September stakeholder engagement meeting
- Draft HLD to be published in Q4, 2018

Day-ahead Market (DAM):

- All 18 design elements have been presented to stakeholders
- Preliminary decisions have been presented for the majority of design elements; remaining ones will be addressed in the fall stakeholder engagements
- Draft HLD to be published in Q4, 2018

Energy Update: Single Schedule Market (SSM)

- The IESO has now presented preliminary decisions on all design decisions within SSM
- Where required, further discussion on design decisions will occur at the Market Renewal Working Group (MRWG) or the enduring markets committee that will evolve from MRWG
- Continuing areas of design focus include:
 - Pricing for load
 - Intertie Congestion Pricing
 - Other design elements pending feedback from the July stakeholder engagement meeting

See appendix for further information on focus areas

Energy HLD Review Process

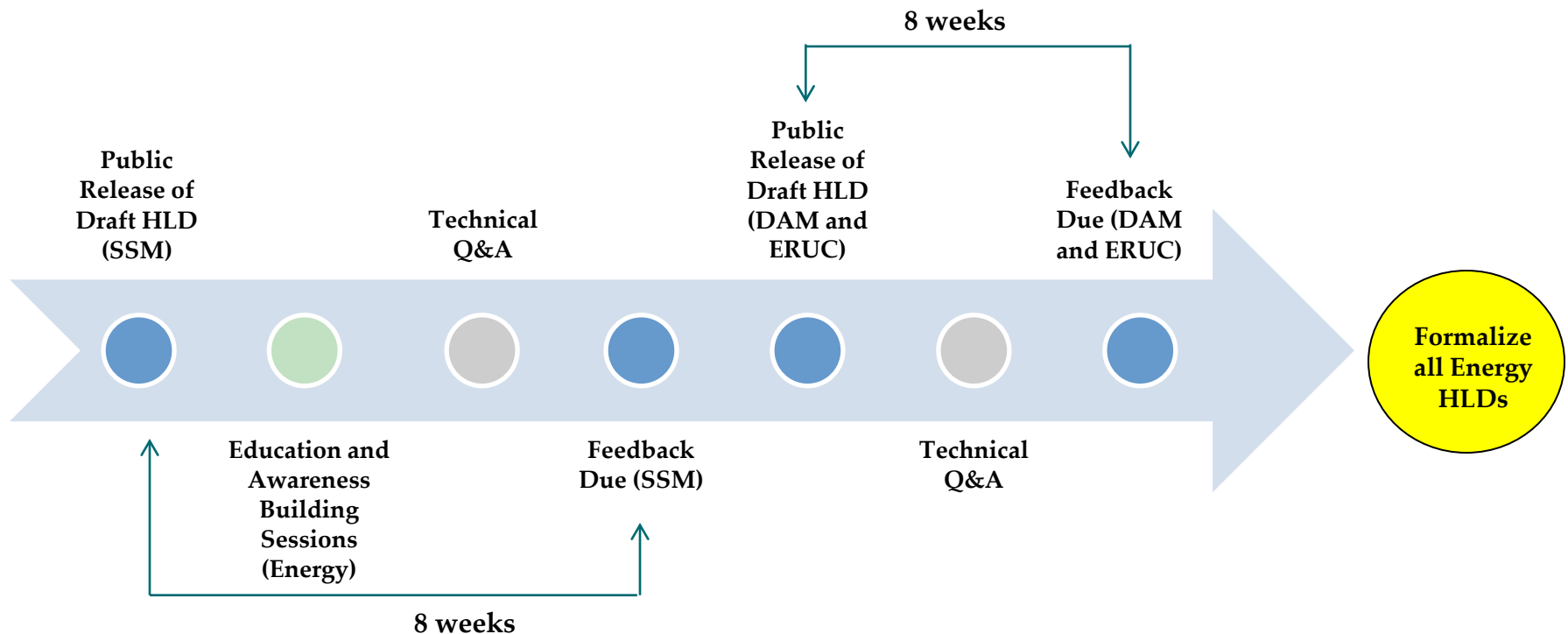
IESO and MRWG have agreed on key elements of the energy workstream HLD review

- 1 8 week review period
- 2 Q&A session to be provided mid review period
- 3 3 energy HLDs finalized at the same time
- 4 Feedback on each HLD is encouraged

Education and Awareness Building

- To aid stakeholders in reviewing the HLDs, the IESO will also provide a series of education sessions
- Sessions will be offered to a number of resource types and will provide a holistic view of what the HLDs mean for them
- The focus will be on stakeholders who have not been deeply involved in stakeholdering to date
- Attendees will gain a practical understanding of what is included in the HLDs and will be prepared for the QA sessions and for submitting feedback on the HLDs

Summary of Energy HLD Review Period



Education and Awareness Building

- In-person information session
- Holistic walk-through of Energy HLDs
- Focus on informing and educating on the content in the HLDs

Technical Q&A

- Technical forum held 4 weeks after publication of the HLDs to answer technical questions
- Purpose is to assist stakeholders in developing feedback

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APPENDIX

SSM Focus Area: Pricing for Load

- The IESO has made the following proposal on load pricing:
 - **Zonal** pricing for all non-dispatchable load with option to go nodal
 - **Nodal** pricing for dispatchable load/storage
 - Zonal prices would be calculated based on the current 10 electrical zones
- The IESO has also proposed a methodology for the disbursement of residuals* to load that is intended to ease the transition to locational pricing
- Stakeholders asked the IESO for more evidence and analysis to support these proposals and the IESO presented additional information at the July SSM meeting
- The IESO is now awaiting feedback on its analysis and will continue to work with stakeholders towards a final design decision

* For additional details of residuals disbursement methodology see:
<http://www.ieso.ca/-/media/files/ieso/document-library/engage/ssm/ssm-20180718-presentation.pdf?la=en> (pg. 21-29)

SSM Focus Area: Intertie Congestion Pricing (ICP)

- The IESO calculates intertie congestion prices that represent the cost of congestion at the interties with neighbouring jurisdictions
- As part of Market Renewal, the IESO is revisiting ICP methodology to ensure consistency with market design
- In December 2017, the IESO presented a preliminary decision designed to encourage the submission of efficient intertie bids and offers (i.e., bids and offers that reflect marginal value)
- Some stakeholders expressed concern that the preliminary decision could lead to under-utilization of interties when economic transactions are possible
- The IESO has now developed and shared a new option to address these concerns and is awaiting stakeholder feedback*

* For additional details of the ICP design proposal see: <http://www.ieso.ca/-/media/files/ieso/document-library/engage/ssm/ssm-20180718-presentation.pdf?la=en> (pg. 48-60)