

Market Renewal Working Group

August 14, 2017

Agenda

10:00 am – Introduction, Review of Minutes and Agenda, and Roundtable

10:15 am – Revised ToR and MRWG Membership

11:30 am – ICA Work Plan

12:00 pm – Lunch

12:30 pm – Strategic Issues Problem Statements

1:00 pm – Revised ToR and Sub-committee Process

1:45 pm - Break

2:00 pm – Non-emitting Resource Sub-committee

3:00 pm – Work Plan: Contracts

4:00 pm – Wrap-up

MRWG Membership

Revised ToR and Membership

- At its July 19 meeting, the MRWG agreed that the processes for adding and removing working group members needed to be better defined
- At the same meeting the MRWG also discussed a membership request from a consortium of renewable generators/associations (the “consortium”)
 - The MRWG decided not to make a decision on the membership request until process around membership was clarified
- Following the meeting, MRWG members drafted proposed revisions to the group’s Terms of Reference (draft is included in materials for today’s meeting)
- In this session we will discuss:
 - Proposed ToR revisions regarding MRWG membership
 - Potential additional ToR revisions regarding MRWG membership
 - The consortium’s membership request

ToR Revisions (MRWG Membership)

For discussion, the proposed ToR revisions include the following key concepts related to membership:

1. More clarity on member responsibilities (3.1.6 and 3.1.7)
2. Clarity on participation responsibilities (3.1.7.1)

*More than two consecutive absences, without prior notice and justifiable rationale to the co-chairs, may warrant replacement of that working group member.

3. Market participants may nominate an independent consultant as a candidate to represent their membership position (4.1.2)
4. Alternates are permitted on an occasional basis (4.1.3)

4.1.3. All Market Renewal Working Group members are permitted to occasionally send an alternate to a working group meeting but the alternate is expected to be fully prepared to participate. To ensure consistency, each working group member may only designate one alternate.

Membership Process

The revised ToR does not fully address the questions of when or how new members would be added

- When should the selection process be triggered?
 - When a member steps down or is removed? If a large group of stakeholders request a change? Other?
- How will new members be selected?
 - Through an open process? Through targeted appointments? Are there exceptions that should be considered?
 - How will the group maintain balanced membership?
- Who will make the selection?
 - Is this a task for the co-chairs? How should the rest of the group be involved?
- How and when will nominations be accepted?
 - Will this be an ongoing process? Only when a call goes out?

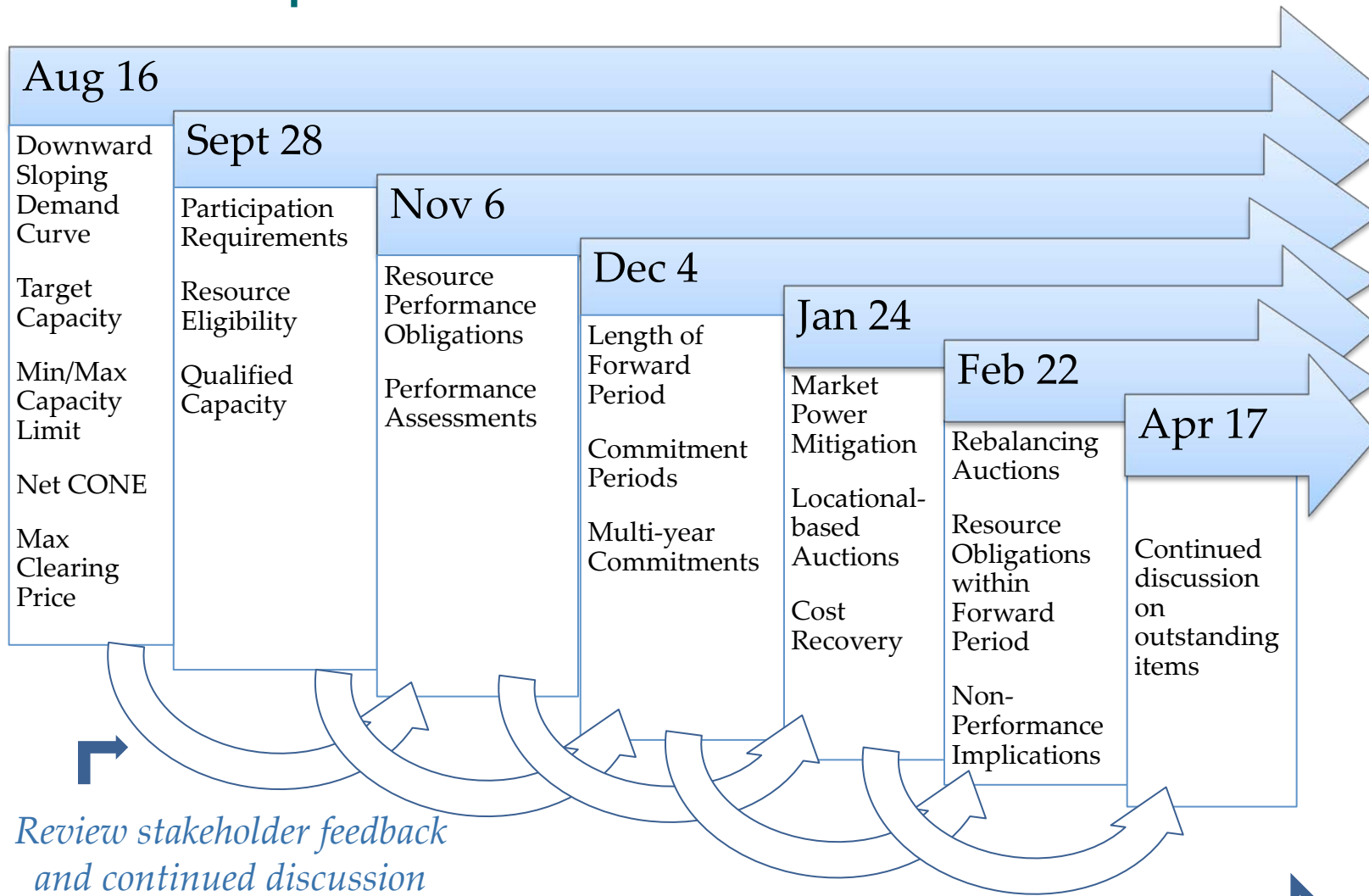
Consortium Request

ICA Work Plan

ICA Work Plan

- At the July MRWG meeting a discussion on ICA goal and objectives and work plan was deferred until today's meeting
- Through the ICA stakeholder engagement, much of this item has already been discussed
 - i.e., discussions on goal and objectives and linkages between design elements
- For today's session, we are focused on MRWG feedback related to the balance between delivering a high level design by Q2/Q3 2018 and achieving fulsome engagement at the SE
 - Note that ICA is being used here as a case study
 - The MRWG has set a goal of delivering HLDs for ICA and SSM by Q2/3 2018

Draft Options Phase Schedule



Will feed into a draft cohesive design

Preliminary Decisions Made Where Possible/Appropriate

Discussion

1. Assuming there is agreement on the desired end date, how should we manage expectations (e.g., in terms of level of detail, modelling, options analysis, etc.) to ensure a HLD is delivered in Q2 2018?
 - *Recognizing that (a) further details will come in later phases and (b) the auction design will continue to evolve, and functionality will be added, over time*
2. How do we communicate the value of meeting this timeline to the broader stakeholder community?
 - *There may be pushback that the timeline is moving too fast to ensure sufficient engagement and discussion.*

Strategic Issue Problem Statements

Strategic Issue Problem Statements

- At the July MRWG meeting, the group completed work to define problem statements for each of 10 strategic issues
- The problem statements form the foundation for developing work plans to address each strategic issue
- We are seeking MRWG feedback on the draft problem statements to ensure the group's feedback has been captured accurately
 - Text in black has already been reviewed by the group
 - Text in red is revised (from the June meeting) or new (from the July meeting)

Draft Problem Statements

How do we:

	Before HLD	Before Implementation	Post Implementation
	<ul style="list-style-type: none"> Manage/mitigate the impact of government decision making? 		
Governance	<ul style="list-style-type: none"> Build confidence around MR “g” (including the Market Rule process)? 		<ul style="list-style-type: none"> Create an enduring process for the governance of on-going market rule changes?
Flexibility/ Operability	<ul style="list-style-type: none"> Incorporate flexibility requirements into MR? Optimize/unblock existing and new ancillary services? 	<ul style="list-style-type: none"> Identify the need for additional flexibility products or incentives post-market renewal? 	<ul style="list-style-type: none"> Accommodate changing needs of system going forward?
Contracts	<ul style="list-style-type: none"> Plan to manage contract amendments? 	<ul style="list-style-type: none"> Make amendments required to enable MR that are fair to contract holders and other stakeholders? 	
	<ul style="list-style-type: none"> Remove barriers to optimize participation in the new market design by contracted and rate regulated resources? 		
DER/LDC Integration	<ul style="list-style-type: none"> Remove unnecessary barriers to future DER/LDC evolution and participation? 		<ul style="list-style-type: none"> Cost effectively accommodate DERs going forward?
Environment	<ul style="list-style-type: none"> Ensure that Market Renewal supports provincial environmental policy? Design the market for resiliency to environmental policy shifts? 		

Draft Problem Statements cont.

How do we:

	Before HLD	Before Implementation	Post Implementation
Planning	<ul style="list-style-type: none"> Align MR with LTEP and regional planning processes? Assess opportunities to align MR with other planning processes (e.g., Tx or Dx planning)? 		<ul style="list-style-type: none"> Ensure that a resource with multiple benefits can capture them under the new market design?
DR	<ul style="list-style-type: none"> Determine if market rules concerning DR need to be changed? Identify and remove barriers to DR participation in A/S markets? 		<ul style="list-style-type: none"> Monitor whether DR is able to participate fully in the new market design?
Storage and Emerging Technologies	<ul style="list-style-type: none"> Ensure that emerging technologies can capture the value of the services they can provide? 		<ul style="list-style-type: none"> Continue to adapt the market to cost effectively accommodate emerging technologies?
Conservation and Energy Efficiency	<ul style="list-style-type: none"> Identify opportunities for EE within Market Renewal? Incorporate interactions with LDCs in participation and valuation of EE? 	<ul style="list-style-type: none"> Decide how different types of EE will participate under MR? 	<ul style="list-style-type: none"> Ensure that evaluation, measurement, and verification for EE is consistent with obligations for participation in the new market design?
Gas Electric	<ul style="list-style-type: none"> Determine what it means to align gas services and market renewal? 	<ul style="list-style-type: none"> Plan for resources with firm gas coming off contract and participating in the market? 	<ul style="list-style-type: none"> Monitor whether gas-electric coordination is causing system reliability issues?

Sub-committee Process

Revised ToR and Sub-committees

- At the July 19 meeting, the MRWG agreed that a sub-committee to the MRWG for non-emitting resources would be an effective forum for addressing strategic issues pertaining to that group of stakeholders
- Moving forward, it is expected that sub-committees will be struck to address other strategic issues as well
- In the proposed revisions to the MRWG's Terms of Reference, MRWG members have suggested new language related to establishing sub-committees
- In this session we will discuss:
 - Proposed ToR revisions regarding sub-committees
 - Questions related to sub-committee process
- After this discussion, we will use the non-emitting resource sub-committee as a case study to test our process

ToR Revisions (Sub-committees)

For discussion, the proposed ToR revisions include the following key concepts related to sub-committees:

1. Scope

5.3.3. The Market Renewal Working Group will develop the scope for the sub-committee; after which a call for sub-committee membership will be issued.

2. Membership

5.3.2. Sub-Committee membership will not be limited to Market Renewal Working Group members but will be open to broader participation. However, at least one Market Renewal Working Group Member shall sit on each sub-committee.

5.3.4. The Market Renewal Working Group will determine the size and composition of the sub-committee to ensure appropriate expertise and representation

3. Chair

5.3.5. The Sub-Committee members shall elect a chair person that is an industry stakeholder. An IESO representative will serve as Facilitator.

4. Decision Making

5.3.6. The Sub-Committee members will strive toward consensus on recommendations to the Market Renewal Working Group.

Sub-committee Process Discussion

- What will the MRWG's process be for establishing sub-committee scope?
 - Will the group produce a ToR for each sub-committee? Another document?
 - What will be defined in the document? Scope, timing, objects, other?
 - The IESO can produce draft documents based on MRWG and IESO perspectives for MRWG review; is this the best process?
- How will sub-committee membership be established?
 - Does membership mean that you can participate in meetings or does it mean that you are responsible for producing the work?
 - How will MRWG representatives be selected for sub-committees? How many will be selected?
 - Will membership always be limited or might some sub-committees be open to all stakeholders?
 - How much time will be taken to receive and review submissions? Is this a task for the co-chairs?
 - Is it most appropriate for the sub-committee or the MRWG to pick a stakeholder chair? Are any stakeholder groups ineligible to be the chair?
- How will work get done?
 - How will the MRWG ensure the sub-committee is on track and delivering on its objectives?
 - Who is accountable? When and how will the sub-committee report back to the MRWG?
 - What resources will be used to deliver on the sub-committee's scope? Committee members? IESO staff? Consultants? All these resources will be constrained by core MR work
- IESO/stakeholder co-chair concept works well for MRWG, should this approach be replicated?
- What else needs to be considered?

Non-emitting Resource Sub-committee

Intro

- In this session, we will prepare to strike a sub-committee for non-emitting resources
- The intention is to build on our sub-committee process discussion
- At the end of this session we should be ready to draft:
 - Scope for the group, including key deliverables and timelines
 - A call for membership

Scope

- At the time of publishing this deck, the following problem statements had been identified:

How do we:

Environment

- Ensure that Market Renewal supports provincial environmental policy?
 - Design the market for resiliency to environmental policy shifts?
-
- The consortium of renewable generators and associations has submitted recommendations for the scope of the sub-committee (circulated with today's materials)
 - Drawing on the problem statements above and the consortium's submission, the IESO has identified three potential focus areas for the sub-committee

Potential Focus Areas

Future Incentive Mechanisms

- Cap and trade provides a mechanism for meeting economy-wide emission targets
- If policy makers wish to set an electricity sector specific target for emissions or to otherwise incentivize non-emitting resources:
 - What mechanisms should be considered? Which would integrate best with the new market design? Which would be most cost-effective? Which adhere most closely to the principles of Market Renewal?

Future Integration

- What integration and reliability challenges will need to be managed in markets with a high penetration of low or zero marginal costs resources?
- What approaches are being considered in Ontario and other jurisdictions to manage these challenges? What lessons can Ontario learn from other jurisdictions?

Support for SEs

- MR design discussions will happen at the appropriate SE
- However, the sub-committee can be a resource for the SEs to draw on for specific design discussions and the committee should be available to support that work on an as-needed basis

Feedback on Scope

- Are the potential focus areas appropriate for the sub-committee? What changes, if any, would you like to see?
- What deliverable(s) is the MRWG expecting from the sub-committee?
 - When should these deliverables be completed?
 - How will they be developed (i.e., who will produce them)?
 - How will they be used?

Membership

- What is an appropriate size for this sub-committee?
 - How will size impact its ability to deliver on its mandate?
- What stakeholder groups should/need to be represented on the sub-committee?
- What are the responsibilities for sub-committee members?
- What MRWG member(s) might want to participate?
- Will meetings be open to all stakeholders or limited to sub-committee members?
- Other considerations?

Timing and Logistics

- IESO is supportive of launching this sub-committee as soon as is practical
 - We would like to determine membership by the end of September and hold an initial meeting in October
 - Does the MRWG support this timeline? Is it feasible?
- IESO proposes that the sub-committee would meet up to once a month
 - Committee chair(s) would establish meeting dates and agendas in order to deliver on the scope and timelines established by the MRWG
- How and when should the sub-committee report back to the MRWG?
 - Who should the primary liaison be (committee chair(s)/MRWG member)?
 - What information will the MRWG want from the sub-committee? At what milestones?
- Where practical, could/should sub-committee members provide meeting space?

Work Plan: Contracts

Problem Statement

- The following problem statements have been developed related to contracts:

How do we:

Contracts	<ul style="list-style-type: none">• Plan to manage contract amendments?	<ul style="list-style-type: none">• Make amendments required to enable MR that are fair to contract holders and other stakeholders?	
	<ul style="list-style-type: none">• Remove barriers to optimize participation in the new market design by contracted and rate regulated resources?		

MRP and Contracts – General Principles

- MRP is focused on improving the efficiency of Ontario's electricity markets and is not targeting to extract value from contracts – therefore the changes will need to be fair to all parties
- IESO's Contract Management group will continue to participate in MRP design activities to work with stakeholders on understanding contract implications
- IESO is open to a MRWG Contracts Sub-committee or other forums to address generic and specific contract implications
- More specific implications will have to be discussed in smaller or individual settings with affected parties
- More focus will be placed on MRP initiatives and the types of contracts that are expected to have the greatest implications from those initiatives
- The vast majority of MRP implications will have mechanical contractual changes and only some may require more complicated solutions
- Contract changes will be limited to address MRP implications, strive for consistency, simplicity and fairness

Existing Contracts

- For context, IESO's portfolio is currently comprised of the following contracts:

Total Contracts	Total MWs
29,249	27,402



Non-Market Participants

Type	Number of Contracts	Capacity (MWs)
Solar * <i>microFIT*</i>	28,832 <i>25,179</i>	2,329 <i>221</i>
Wind	69	611
Thermal	113	329
Hydro	123	332
Total	29,137	3,601

Market Participants

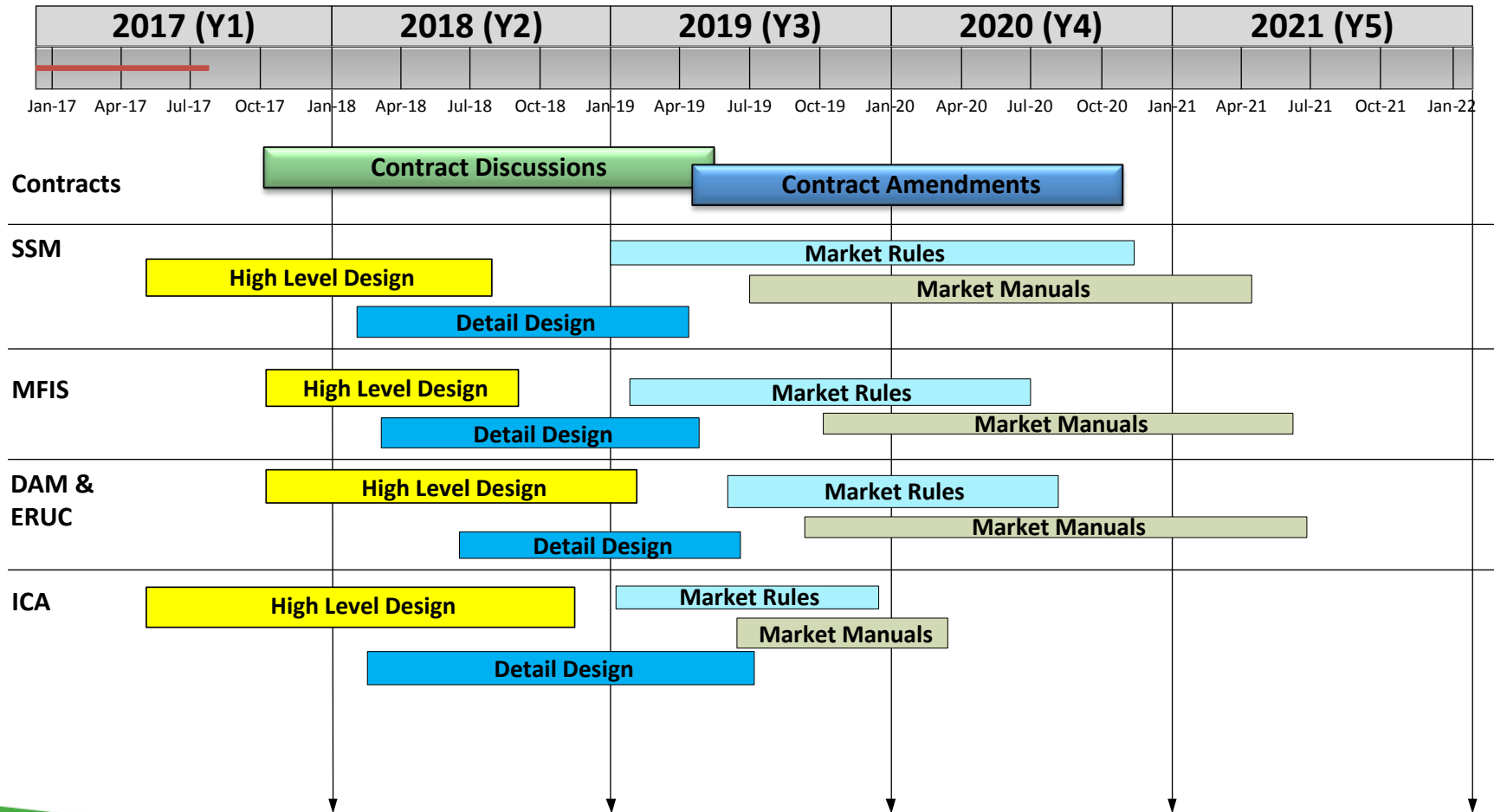
Type	Number of Contracts	Capacity (MWs)
Nuclear	1	6,300
Solar	48	478
Wind	26	5,504
Thermal	26	9,443
Hydro	11	2,076
Total	112	23,801

Figures current as of May 2017
and change on a continuous basis.

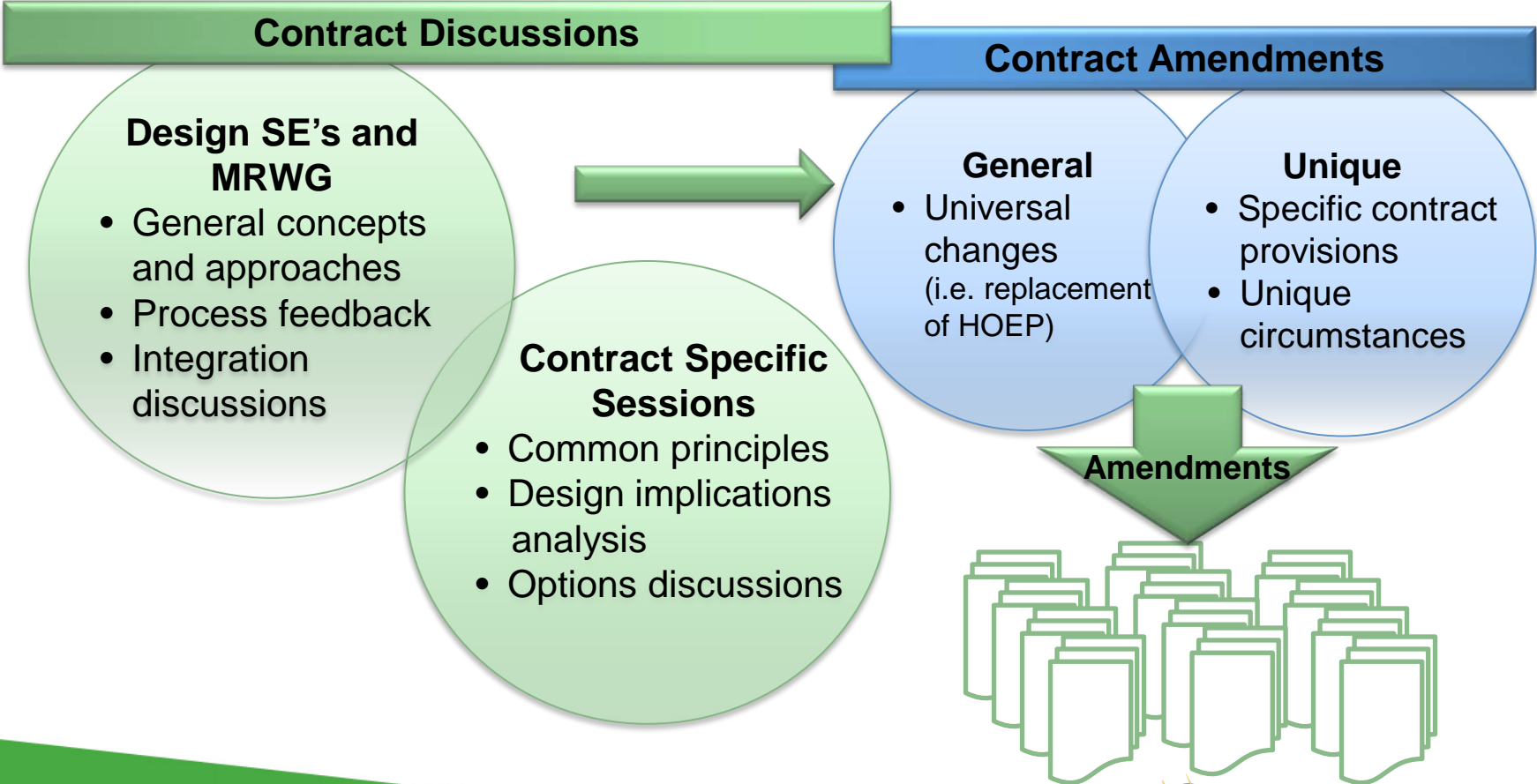
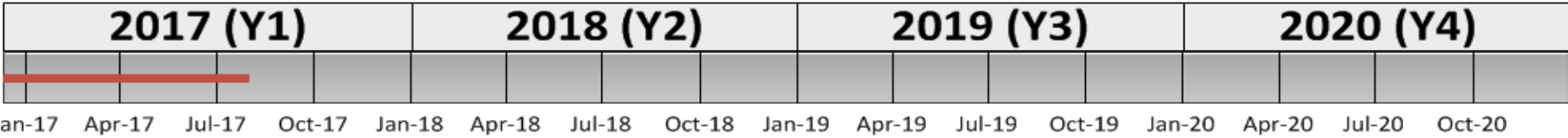
High Level Implications

Initiative	Anticipated Impact	Concerned Parties
Single Schedule Market (SSM)	<ul style="list-style-type: none"> • Replacement of HOEP with new energy price 	<ul style="list-style-type: none"> • All contracts, except for microFIT
Incremental Capacity Auction (ICA)	<ul style="list-style-type: none"> • Allowing for non contracted capacity to participate in ICA 	<ul style="list-style-type: none"> • Limited to market participants (likely not all TBD by design)
Day-Ahead Market (DAM)	<ul style="list-style-type: none"> • Participation in the day-ahead market • Changes to Exhibit J for gas-fired contracts • Potential other changes TBD by design 	<ul style="list-style-type: none"> • Limited to market participants (gas-fired and potentially others TBD by design)
Enhanced Real-time Unit Commitment (ERUC), More Frequent Interties (MFIS), Others	<ul style="list-style-type: none"> • Unknown at this time (design not started) 	<ul style="list-style-type: none"> • Unknown at this time (design not started)

Anticipated Timelines

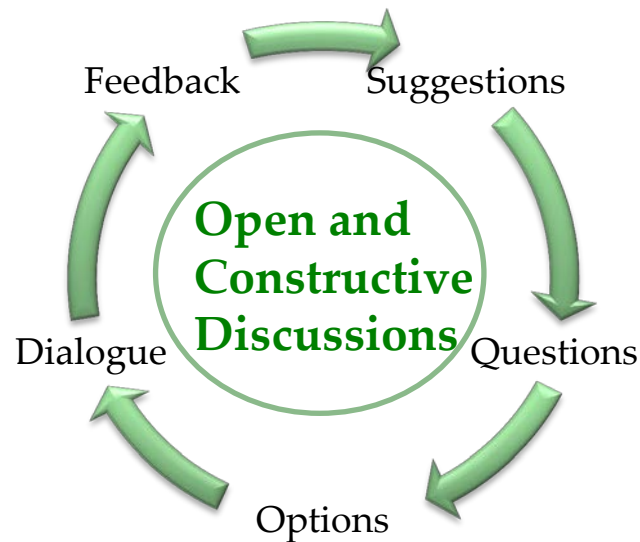


Overall Process



Contract Discussions

- Meant for general contract implications discussions
 - **Collaborative and general in nature** – address common aspects and not specific contract matters
 - **Open Forum** – discussions are removed from any contract negotiations
 - **Transparent and not confidential** – Summary of discussions shared in a transparent manner with all stakeholders



Options for Contract Discussion Forums

- IESO and its contract counterparties will need to engage in discussions about contracts as the design work progresses

TIMING



- Until some broader design elements are known, the discussions would be limited
- Suggesting to start some of the discussions after the options phase of high level design is advanced

- Considerations for MRWG Contracts sub-committee
 - A sub-committee can provide a structured forum to discuss broader contract implications
 - Suggesting to meet on pre-scheduled and as-needed basis before or after MRWG (or other stakeholder engagement) meeting on the same day



Contract Amendments

- Meant to address specific contractual matters for individual and potentially groups of contracts
 - Each type of contract (and in some circumstances each contract) can differ in many ways
 - Confidentiality provisions in contracts will have to be respected
 - Our experience has shown that same amending language does not work for all contract holders
- Amending agreements will likely have to be worked on in parallel during the implementation phase, but may not get finalized until the time that market changes take effect



Next Steps with Stakeholders

- A webinar is being planned for early fall to a broader group of contract holders
 - Will likely be targeted for market participants and generator industry organizations
 - Content will be similar to this presentation, but will include additional background on Market Renewal
- Consider establishing MRWG Contracts Sub-committee
 - Format and timing to be guided by discussions today and broader MRWG discussions about sub-committees
- Begin discussions related to contracts once the design discussions have advanced to a sufficient level
 - To be determined jointly by the IESO and MRWG

QUESTIONS & COMMENTS



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Wrap up

- Thanks and see you tomorrow