



February 20, 2018

Barbara Ellard
Director, Markets and Procurement
Independent Electricity System Operator
1600-120 Adelaide Street West
Toronto, ON M5H 1T1

Dear Barbara,

Power Advisory LLC has coordinated this submission on behalf of a consortium of renewable generators, energy storage providers, and industry associations (i.e., the "Consortium¹").

This submission responds to the Independent Electricity System Operator's (IESO's) request for stakeholder feedback during the February 6, 2018 Market Renewal Working Group (MRWG) meeting regarding the Stakeholder Engagement and Governance agenda item. Schedule 1 of this submission provides specific answers to IESO's posed "Design Challenges for Stakeholder Feedback" discussed at this MRWG meeting.

Schedule 2 of this submission is the Consortium's December 1, 2017 response to IESO's request for stakeholder feedback regarding the posed questions during the October 18, 2017 MRWG meeting along with additional considerations. The Consortium's December 1, 2017 submission has not been posted on IESO's website, and therefore is included as Schedule 2 due to its relevant points and recommendations regarding this submission.

IESO Stakeholder Engagement Strategy and Market Renewal Program Decision-Making

The Consortium supports IESO's plan to revise and update its stakeholder engagement strategy and understands IESO plans to introduce this revised engagement strategy during spring 2018. Because of the significance of IESO's Market Renewal Program (MRP), planned revisions to IESO's stakeholder engagement strategy must be applicable to MRP-related stakeholder engagement and decision-making.

¹ Consortium are: Algonquin Power; BluEarth Renewables; Boralex; Brookfield Renewable Power; Canadian Wind Energy Association; EDF EN; EDP Renewables; Enbridge; Energy Storage Canada; ENGIE; H2O Power; Kruger Energy; NextEra Energy Canada; Pattern Energy; Suncor; wpd Canada; and, Canadian Solar Industries Association

The Consortium views stakeholder engagement and 'governance' relating to MRP together as 'decision-making' defined by market design changes (e.g., planned changes to the wholesale energy market presently defined through applicable MRP Workstreams, planned design and implementation of Incremental Capacity Auctions (ICAs), etc.) and amendments to the Market Rules and market manuals (i.e., that will necessarily be required to administer MRP). Therefore, IESO's planned revisions and updates to its stakeholder engagement strategy should include MRP 'decision-making' within its scope (i.e., process to engage stakeholders regarding market design changes including how decisions are made (e.g., MRP high-level design, etc.) to amendments of the Market Rules and market manuals (e.g., market rule amendment process, Technical Panel (TP) structure, transparency of decisions to amend rules, decisions to include changes within market manuals as opposed to changes within rules and associated rigor of stakeholder engagement and decision-making regarding amendments to market manuals, etc.)).

As discussed during the February 6 MRWG meeting, and consistent with points made above, the Consortium believes the most important feedback that IESO has received from stakeholders to date regarding areas of needed improvements to stakeholder engagement are: transparency of IESO decision-making; and the way stakeholder feedback is considered by IESO.

Therefore, also consistent with points made above, the Consortium believes the following IESO points made during the February 6 MRWG are key towards revising its stakeholder engagement strategy: enhancements to engagement process; more clarity on the role of standing committees and advisory groups; and include consideration of potential updates to TP Terms of Reference.

Overall, the Consortium believes that market participants and other stakeholders should have increased accountabilities within the decision-making of market design changes (e.g., MRP) and amendments to the Market Rules (e.g., through needed changes to the market rule amendment process) and market manuals.

Scope of MRP Decision-Making

Consistent with the rationale in the section above, the Consortium recommends that 'governance' now be re-cast as 'decision-making' to more accurately reflect what is of most concern to market participants and stakeholders (e.g., how are decisions being made within MRP related to market design changes and applicable amendments to the Market Rules and

market manuals). Further, this re-classification of terminology may help to reconcile what IESO recommended as 'in scope' and 'out of scope' during the February 6 MRWG.

The Consortium agrees with IESO that MRP design issues are in scope for the reasons provided above, and also agrees with dispute resolution being needed with respect to MRP. However, as further defined within Schedule 1, the Consortium does not believe that the existing market rule dispute resolution process should be only one of few mechanisms² used towards resolving issues of decision-making relating to market design changes (e.g., MRP) and amendments to the Market Rules and market manuals. Consistent with our December 1, 2017 submission in Schedule 2, the Consortium recommends other changes regarding decision-making relating to amendments to the Market Rules through increased accountability and participation of market participants within the market rule amendment process.

The Consortium agrees that areas outside of the jurisdiction of the IESO-Administered Markets (IAM) relating policy changes and sector evolution exceeding the scope of the MRP mandate are out of scope³ but acknowledges that the Ministry of Energy has launched a formal review of the Ontario Energy Board (OEB) which could contain aspects of decision-making regarding potential changes to the OEB's roles and responsibilities regarding oversight over IESO and IAM. However, the Consortium believes there should be more discussion regarding "delegation of IESO decision-making authority" and why IESO has suggested it be out of scope. The Consortium's answers in Schedule 1 provides rationale why more discussion is needed regarding delegation of IESO decision-making authority (see in particular MRP-related market design changes posing risks to market participants), along with points and recommendations made in our December 1, 2017 submission in Schedule 2.

Conclusions and Proposed Next Steps

The Consortium offers the following points, recommendations, and next steps relating to decision-making regarding MRP-related market design changes and amendments to the Market Rules and market manuals.

² Another mechanism is an appeal to OEB regarding amendments to Market Rules after the IESO Board of Directors approves such amendments

³ These out of scope areas are often included within past 'governance' discussions amongst IESO and stakeholders. Therefore, if these areas are truly out of scope, then to move forward, a move away from the use of the 'governance' term is likely helpful.

- Whether through MRWG or outside of MRWG, IESO should launch a specific engagement process with stakeholders that have financial accountabilities within IAM (e.g., registered generator market participants, etc.) to address the need to clarify and improve decision-making regarding MRP-related market design changes and amendments to the Market Rules and market manuals. Recommendations from this decision-making stakeholder engagement must be made in-step with MRP activities and implemented in time to be used within making decisions regarding approvals of MRP high-level design.
- Because of its importance to MRP, decision-making regarding MRP-related market design changes and amendments to the Market Rules and market manuals should be a standing agenda item for all MRWG meetings.
- The existing market rule dispute resolution process should not be a focal and central mechanism used towards resolving issues of decision-making relating to market design changes (e.g., MRP) and amendments to the Market Rules and market manuals. The following points are areas of concern regarding the dispute resolution process.
 - The dispute resolution process has been relatively untested (if at all) and therefore its efficacy unknown
 - IESO Dispute Resolution Panel members typically do not have any electricity background and knowledge
 - Any dispute resolution process occurring before implementation of applicable market rule(s) will not have the benefit of assessing actual impacts of market rule(s), and therefore will need to be argued on academic and theoretical premises
 - Any dispute resolution process occurring after implementation of applicable market rule(s) will likely result in decisions being rendered well after implementation of market rule(s), which could result in significant cumulative negative impacts (e.g., costs, damages, etc.)
- There should be more discussion of “delegation of IESO decision-making authority” and why IESO has suggested it be out of scope for engagement with stakeholders at this time. The following market design and market rule changes are being planned or still need to be discussed within MRP’s scope, and all represent areas of significant financial impacts to many market participants, therefore justifying why IESO’s decision-making authority should be reviewed.
 - Energy and capacity market power mitigation framework, and associated penalties, sanctions, etc.

- Must-offer and must-bid rules and respective obligations in wholesale energy and capacity markets (i.e., ICAs)
- Rules relating to de-listing or de-registering existing facilities (e.g., after assessment of future economics of wholesale energy and capacity markets projects insufficient market revenues to enable continued facility operations)
- Key components of capacity market design (e.g., resource adequacy requirement, definition of capacity zones, demand curve, forward and commitment periods).
- Improvements and changes to decision-making should not only be applied to MRP, but should be enduring regarding all IAM market design changes and amendments to the Market Rules and market manuals.

The Consortium will be happy to discuss the contents of this submission with IESO and MRWG at a mutually convenient time.

Sincerely,



Jason Chee-Aloy
Managing Director
Power Advisory LLC

cc:

Leonard Kula (IESO)
Michael Lyle (IESO)
Chuck Farmer (IESO and Chair of IESO Technical Panel)
Ryan King (IESO)
Patrick Taylor (Algonquin Power)
Roslyn McMann (BluEarth Renewables)
Adam Rosso (Boralex)
Julien Wu (Brookfield Renewable Power)
David Thornton (EDF EN)
Tom LoTurco (EDPR)
Ian MacRobbie (Enbridge)



Pat Phillips (Energy Storage Canada)
Deborah Langelaan (ENGIE)
Stephen Somerville (H2O Power)
JJ Davis (Kruger Energy)
Jennifer Tuck (NextEra Energy)
Kellie Metcalf (Pattern Energy)
Chris Scott (Suncor)
Ian MacRae (wpd Canada)
Wes Johnston (Canadian Solar Industries Association)

Schedule 1 – Answers to IESO Posed Design Challenges for Stakeholder Feedback from February 6, 2018 MRWG Meeting

Identify general principles that should inform the design of MRP for stakeholder engagement and dispute resolution

Consortium Response:

The existing MRP mission statement and applicable guiding principles (i.e., efficiency, implementability, and transparency) that were adopted by MRWG, along with IESO's stakeholder engagement principles (i.e., analyze opportunities for engagement, ensure inclusive and adequate representation, provide effective communication and information, promote openness and transparency, provide effective facilitation, communicate outcomes, and measure satisfaction) should also apply to MRP-related stakeholder engagement.

More discussion is needed regarding the role of the existing market rule dispute resolution framework relating to MRP. Therefore, until such a discussion takes place, the Consortium is not in position to offer potential related general principles. However, the Consortium notes that the market rule dispute resolution framework should not be the main mechanism regarding market participant or stakeholder recourse after IESO has approved market design, market rule, or market manual changes.

Identify MRP components that may trigger on-going stakeholder participation, such as recurring amendments

- **Consider U.S. Federal Regulatory Commission (FERC) jurisdiction examples, where a tariff may prescribe a dedicated stakeholder process that departs from the general participation model**

Consortium Response:

MRP market design components that may trigger on-going stakeholder participation that could result in recurring market design changes and amendments to the Market Rules are generally areas that will be new to IAM and market participants, and generally could impact financial compensation of market participants or apply financial penalties to market participants. Based on the points listed above, along with experience of Consortium members operating within U.S.

wholesale electricity markets under FERC's jurisdiction, these areas include but are not limited to:

- Energy and capacity market power mitigation framework, and associated penalties, sanctions, etc.;
- Must-offer and must-bid rules and associated obligations in energy and capacity markets;
- Rules relating to de-listing or de-registering existing facilities (e.g., after assessment of future economics of energy and capacity markets renders insufficient market revenues to continue operations); and
- Key components of capacity market design (e.g., resource adequacy requirement, definition of capacity zones, demand curve, forward and commitment periods).

Identify the perceived adequacy or inadequacy of the existing Market Rule dispute resolution framework, as concerns the implementation of MRP

- **Consider whether an alternative or expedited dispute resolution mechanism should be introduced, and if so, identify the potential scope of application – in what circumstances would the remedy be available?**

Consortium Response:

There are many concerns, issues, and problems with the existing market rule dispute resolution framework regarding implementation of MRP, including but not limited to:

- It is not clear whether the market rule dispute resolution framework has ever been used, and if so it has been used very, very infrequently, therefore its process has been untested and therefore its efficacy unknown;
- IESO Dispute Resolution Panel members typically do not have sufficient electricity background and knowledge (e.g., of the five Panel members presently listed on IESO's website today, it appears that only one member has any electricity background and knowledge);
- Dispute resolution processes can be very time consuming and expensive, where 'bad blood' could result between IESO and parties within the dispute;
- Any market rule dispute resolution occurring before implementation of the applicable market rule(s) will not have the benefit of assessing the actual impact of the market rule(s), and therefore will need to be argued on academic and theoretical premises; and
- Any market rule dispute resolution occurring after implementation of the applicable market rule(s) will likely result in decisions being rendered well after implementation of

the market rule(s), which could result in significant cumulative negative impacts (e.g., costs, damages, etc.)

The Consortium acknowledges the existence of the market rule dispute resolution option. However, the Consortium does not believe that the market rule dispute resolution should be one of only few mechanisms (other being market rule appeals to OEB after IESO Board of Directors approves amendments to the Market Rules) to be used towards MRP-related decision-making. Therefore, our December 1, 2017 submission in Schedule 2 provides additional recommendations relating to the market rule amendment process.

Identify MRP components that may change risk allocation and suggest mechanisms or enhancements that may provide greater investor certainty for market participants

- **Specific to market mechanisms, not amendments to electricity supply contracts (subject to separate engagement)**

Consortium Response:

The MRP market design components that will change risk allocation are a subset of the list of market design components that will likely undergo recurring changes:

- Energy and capacity market power mitigation framework, and associated penalties, sanctions, etc.;
- Must-offer and must-bid rules and associated obligations in energy and capacity markets;
- Rules relating to de-listing or de-registering existing facilities (e.g., after assessment of future economics of energy and capacity markets renders insufficient market revenues to continue operations); and
- Key components of capacity market design (e.g., resource adequacy requirement, definition of capacity zones, demand curve, forward and commitment periods).

Given the existing process to amend the Market Rules, IESO enjoys full authority to make and then subsequently amend the Market Rules within the above areas that have significant potential to financially impact and maybe harm market participants. Therefore, changes are needed regarding decision-making of MRP-related market design changes and amendments to the Market Rules and market manuals.

Identify any other design challenges within scope of the current governance engagement parameters

Consortium Response:

See the rest of this submission and the Consortium's December 1, 2017 submission in Schedule 2.

**Schedule 2 – Consortium Submission to IESO, re: IESO Requested Stakeholder Feedback
from October 18, 2017 MRWG Meeting**

December 1, 2017

Barbara Ellard
Director, Markets and Procurement
Independent Electricity System Operator
1600-120 Adelaide Street West
Toronto, ON M5H 1T1

Dear Barbara,

Power Advisory LLC has coordinated this submission on behalf of a consortium of renewable generators, energy storage providers, and industry associations (i.e., the “Consortium”). The members of the Consortium are: Algonquin Power; BluEarth Renewables; Boralex; Brookfield Renewable Power; Canadian Wind Energy Association; Canadian Solar Industries Association; EDF EN; EDP Renewables; Enbridge; Energy Storage Canada; ENGIE; H2O Power; Kruger Energy; NextEra Energy; Pattern Energy; Suncor; and wpd Canada.

During the October 18, 2017 Independent Electricity System Operator (IESO) Market Renewal Working Group (MRWG) meeting, the IESO posed questions to the MRWG members for feedback on some of the Demand Curve design components within the planned development of Incremental Capacity Auctions (ICAs) and whether these components should be contained within the IESO Market Rules or the applicable IESO Market Manuals. The Consortium’s responses to these questions are contained within the Appendix of this submission.

Need to Review and Change Governance Framework of the IESO-Administered Markets

The Consortium believes that the ICA Demand Curve related questions posed at the October 18 MRWG meeting are clear examples of the need for an improved governance framework within the IESO-Administered Markets (IAM). That is, if market participants are to take on additional risks (e.g., capital investments regarding maintenance and uprates of existing facilities, development of new projects, etc.) in response to market signals from the IAM (e.g., capacity prices and revenues from ICAs, etc.) without protection from procurement contracts (e.g., contract provisions relating to, but not limited to, Change in Law, Discriminatory Action,

restoration of Supplier's Economics resulting from changes to the IESO Market Rules, etc.), then the governance framework of the IAM needs to appropriately and effectively change to address future increases in market participant risks. Simply put, without effective and sufficient changes to the governance framework within the IAM, timely investments may not occur and therefore Ontario's power system needs may not be adequately addressed.

More generally, needed changes to the governance framework are a broad and important issue for the entire IAM relating to forthcoming market rule changes resulting from the planned implementation of the Market Renewal Program, and not just confined to governance issues related to planned implementation of ICAs and associated rule changes. The Market Renewal Program is a significant re-design of the IAM representing the most significant design and implementation project since the IAM was initially developed and then opened in May 2002. Therefore, the Market Renewal Program initiative provides a unique opportunity to review and enhance the governance framework within the IAM in accordance with its design and implementation.

The Consortium has reviewed the present governance framework of the IAM (i.e., jurisdictional roles and responsibilities of Ontario's electricity Government agencies (e.g., IESO, etc.) and regulator (i.e., Ontario Energy Board (OEB), and the scope of their decision-making authority), amendment process and decision-making authority relating to the amendment of the IESO Market Rules and Market Manuals, and the alternate dispute resolution (ADR) framework within the IESO Market Rules. Based on this review, the Consortium believes that changes to the IESO's market rule amendment process are essential towards implementing improvements to the governance framework within the IAM, and a review of the role of the OEB should be considered as it pertains to the OEB's ability to overturn decisions made by the IESO to amend the IESO Market Rules.

Initial Recommendations to Improve the Governance Framework within the IAM Through Needed Changes to the Market Rule Amendment Process

At this time, the Consortium offers the following initial recommendations for needed changes to the IESO's process to amend the Market Rules, along with some general recommendations relating to the OEB's role and responsibilities relating to the amendment of the IESO Market Rules, and how the IESO should address changes to the governance of the IAM through the MRWG.

- Increased input from a broader range of market participants is needed within the market rule amendment process. Therefore, the membership of the IESO's Technical Panel (TP) should be expanded (e.g., only two generator representatives is not sufficient, considering that generators comprise the vast majority of market participants, and energy storage is not represented on the TP, where energy storage is one of the fastest growing resources within electricity markets).
- TP votes must be meaningful. Therefore, proposed rule amendments should require a majority vote from the TP in order for IESO Management to propose rule changes to the IESO Board of Directors (BOD).
- Increased transparency is needed regarding analysis, proposals, and recommendations IESO Management presents to their BOD regarding rule changes. Therefore, all BOD materials relating to proposed rule changes should be made public. Further, market participants and other stakeholders should be able to make oral and/or written representations to the BOD regarding rule changes.
- A review of the role and responsibilities of the OEB should be undertaken regarding its accountabilities regarding IESO-approved rule amendments, resulting in potential changes to the OEB's oversight regarding amendments to the IESO Market Rules.
- Governance of the IAM has been an issue raised by stakeholders since the launch of the Market Renewal Program (i.e., going back to the time of development of a Benefits Case last year). Therefore, to ensure governance is addressed within a timely manner and in step with developments within the Market Renewal Program, governance should be a standing agenda item at all MRWG meetings with IESO updates by way of governance-related action items at every MRWG meeting.

The following sections provide background information and rationale as to why improvements are needed to the governance framework within the IAM, review of the governance framework to amend the IESO Market Rules, and recommendations regarding changes to the process to amend the IESO Market Rules along with additional considerations.

Potential for Less Contracting Necessitates Improvements to Governance of the IAM

It is clear from the Ontario Government's recently released Long-Term Energy Plan (LTEP) (see https://files.ontario.ca/books/ltep2017_0.pdf) that the Market Renewal Program will be a key component moving forward towards meeting some of the objectives in the LTEP. Further, the benefits of the Market Renewal Program as stated in the LTEP are largely driven from the projected future benefits resulting from the implementation of ICAs which project to lessen the

use of procurement contracts (i.e., re-contracting existing resources, contracting for new resources) (see <http://www.ieso.ca/en/sector-participants/market-renewal/overview-of-market-renewal>).

While these benefits are debatable, specifically the dollar amount of savings resulting from the supposed efficacy of ICAs, the IESO's Benefits Case and the Ontario Government's LTEP clearly signal potential for lessening the use of procurement contracts in the future. If this is to be the case, then market participant Suppliers (as "Suppliers" defined within IESO contracts) will be exposed to additional risks within the IAM (e.g., capital investment risks to maintain and uprate existing facilities, develop new projects, etc.). As a consequence of not having contractual provisions to address additional risks, the governance framework within the IAM needs to be reviewed and changed.

The Consortium recommends that the IESO change the process to amend the IESO Markets Rules. This is the most immediate and effective way to begin addressing the need to improve governance within the IAM.

The sections below explain why this is being recommended based on review of the IESO rule amendment process compared to the rule amendment processes existing within other North American wholesale electricity markets coupled with experience many Consortium members have within these other markets.

Review of Rule Amendment Processes from Other Jurisdictions Compared to the Process to Amend IESO Market Rules

As stated above, it is clear from the present framework to amend the IESO Market Rules and Market Manuals that the governance within the IAM should be reviewed and changed, considering that the components within the Market Renewal Program (e.g., ICAs) will transfer risk to market participants and lessen the ability to execute procurement contracts that would have otherwise addressed these risks.

The above points are further supported by the governance to amend rules within other wholesale electricity markets around North America. For example, within all U.S. wholesale markets, a greater level of transparency and more robust stakeholder consultations regarding rule changes occur, with market participants having meaningful voting rights or authorities within most of these jurisdictions regarding either determining whether rule changes should

move forward for approvals and/or ability to make counter proposals relating to changes to rules. Further, relative to the OEB, the U.S. Federal Energy Regulatory Commission (FERC) has sufficient responsibilities and oversight over rule amendments, providing stakeholders and market participants with additional processes resulting in more confidence towards potential rule amendments.

The present process to amend the IESO Market Rules is not comparable to the processes to amend rules within the majority of the U.S. electricity markets, and will need to change if market participants in Ontario will be required to take on investment risks without protection from procurement contracts.

The following points identify the present key and general steps to amend the IESO Market Rules (without details regarding timelines for specific actions).

- Either the IESO or any stakeholder (e.g., registered IESO market participant) may request rule changes (i.e., concept of proposed rule changes with rationale, short of actual amendments to the Market Rules)
- The IESO's TP comprised of constituencies of market participant representatives (i.e., TP is a cross section of electricity sector industry representatives and the IESO) determines whether the proposed rule changes "warrant consideration", and if so the IESO requests comments from stakeholders regarding whether they agree
- If no stakeholders object to the proposed rule changes warranting further consideration, the IESO then drafts amendments to the IESO Market Rules (i.e., tracked-changes to applicable sections within the Market Rules) and requests comments from stakeholders regarding the proposed rule amendments
- Based on stakeholder comments, the IESO may refine the proposed rule changes and then discusses the proposed rule changes with the TP for TP vote
- Despite any TP voting outcome (i.e., majority vote, less than majority vote, etc.), IESO Management has unilateral ability to then seek approval of amendments to the IESO Market Rules from the IESO BOD
- Therefore, final decisions to amend the IESO Market Rules ultimately resides with the IESO BOD, where the IESO BOD comprises of independent directors (i.e., IESO BOD does not permit market participant representative directors)
- Given the above process, the only recourse any stakeholder has following IESO BOD decisions to amend the Market Rules is an appeal to the OEB, where the OEB does not have to accept the appeal

The above process to amend the IESO Market Rules grants a significant degree of IESO latitude and permits sole decision-making authority to the IESO and the IESO BOD to amend the IESO Market Rules.

Sole decision-making authority for Independent System Operators (ISOs) or Regional Transmission Organizations (RTOs) is not the case within some of the U.S. wholesale electricity markets. For example, some of the U.S. wholesale markets (i.e., Independent System Operator of New England (ISO-NE), New York ISO (NYISO), and Pennsylvania-New Jersey-Maryland Interconnection (PJM)) have been organized around a governance framework that requires majority or super-majority votes from market participants relating to either impacting the applicable ISOs'/RTOs' ability to change rules (e.g., ISO Tariff, etc.), or the ability to make counter rule proposals. In some jurisdictions (e.g., New York), majority or super-majority vote from market participants is required by the respective ISO/RTO to then propose applicable rule changes to the FERC for decisions. Finally, in all cases where ISOs/RTOs are required to bring forward rule changes to the FERC for decisions, the FERC will facilitate a public proceeding where intervenors (e.g., market participants, etc.) can participate and opine on proposed rule changes within a public and transparent proceeding, prior to FERC rendering final decisions through orders to the respective ISOs/RTOs.

The following points identify the key and general steps to amend rules within most U.S. jurisdictions.

- Either the ISO/RTO or any stakeholder (e.g., registered market participant) may request rule changes
- An applicable Committee (comprising of all defined voting market participants) deliberates on the proposed rule changes
- Based on these deliberations, the proposed rule changes may be refined
- Depending on some of the respective ISO/RTO rules, the Committee vote will need to secure majority or super-majority from voting market participants
- For some ISOs/RTOs, proposed rule changes can only be brought forward for FERC approval after achieving majority or super-majority resulting from the applicable Committee votes, and in some other ISOs/RTOs majority or super-majority Committee votes result in counter proposals (e.g., alternate rule changes compared to what is being proposed by that respective ISO/RTO)

- FERC then has a public proceeding with intervenors, etc. towards rendering decisions on the ISO/RTO proposed rule changes
- FERC has authority to reject, accept, or partially accept/reject ISO/RTO proposed rule changes, and has the authority to issue orders to ISOs/RTOs regarding amendments to rules and rule-making

The following high-level table summarizes some of the differences between the rule amendment process within the IAM and the U.S. markets referenced above.

	Market Participant/ Stakeholder Representatives Name/Entity	Size/ Representation	Market Participant/Stakeholder Categories Represented	Vote on Proposed Changes (e.g., market design, rules, etc.)	Meaningful Votes (i.e., relating to market design changes, rule changes, counter proposals, etc.)	Regulator Final Authority, Approvals, Decisions
IESO	Technical Panel	13 (all voting)	<ol style="list-style-type: none"> 1. Consumers 2. Natural Gas 3. Energy Related Businesses and Services 4. Customers 5. Generators 6. Distributors 7. Transmitters 8. Wholesalers 9. Other Market Participants 10. IESO 	Yes	No	No
ISO-NE	Participants Committee	431 (235 voting, 178 non-voting)	<ol style="list-style-type: none"> 1. Generators 2. Transmitters 3. Suppliers 4. Public Owned Entities 5. Alternative Resource Sector 6. End Use Sector 	Yes	Yes	Yes
NYISO	Management Committee	143 (91 voting, 52 non-voting)	<ol style="list-style-type: none"> 1. Transmitters 2. Generators 3. Other Suppliers 4. Customers 5. Public Power / Environmental Parties 	Yes	Yes	Yes
PJM	Members Committee	951 (528 voting, 423 non-voting)	<ol style="list-style-type: none"> 1. Transmitters 2. Generators 3. Distributors 4. Customers 5. Other Suppliers 	Yes	Yes	Yes

It is clear from the above table that the IESO's rule amendment and approval process is distinctly different to the reviewed U.S. ISO/RTO wholesale electricity markets, regarding the lack of

applicability of the IESO's TP vote and the lack of regulatory approval of the IESO BOD approved rule changes.

Further, even though the TP vote is not required to amend the IESO Market Rules, it is interesting to note that the IESO has two members on the TP (i.e., Chair and IESO representative) with a vote, whereas respective ISOs/RTOs do not have any votes on similar Committees.

Additional Considerations Relating to the Jurisdiction of the OEB

Considering the FERC oversight and rule-making authority in the U.S. relating to ISO/RTO wholesale electricity markets, the IESO, the OEB, market participants, and stakeholders should review the role of the OEB regarding its appeal decision-making function relating to IESO BOD approved amendments to the IESO Market Rules, and whether changes to OEB oversight regarding amendments to the IESO Market Rules should be reviewed.

More specifically, exploration of whether the OEB should have a similar role and responsibilities like the FERC regarding amendments to the IESO Market Rules should be explored, along with the efficacy, practicality, and workability of the present market rule amendment appeal process.

Conclusions and Proposed Next Steps

Considering the rule amendment process in other jurisdictions, the composition of applicable Committees, combined with the vast experience many Consortium members have within U.S. ISO/RTO wholesale electricity markets, the following changes to the process to amend the IESO Market Rules are needed to improve the governance within the IAM.

- Expand the IESO TP to more accurately indicate the majority percentage of generator market participants along with emerging technologies (e.g., energy storage) by accounting for an increased number of generator representatives (i.e., additional members representing non-hydroelectric renewable, hydroelectric, nuclear, and gas-fired)⁴, and energy storage
- For IESO Management to bring forward amendments to the IESO Market Rules to the IESO BOD for approvals, a TP majority vote must be achieved

⁴ Appropriately, multiple TP representatives proposed for each of the following generator constituencies considering that Ontario projects to have an installed capacity supply mix of roughly one quarter non-hydroelectric renewable, one quarter hydroelectric, one quarter nuclear, and one quarter gas-fired generation

- Any TP member, market participant, or stakeholder upon any vote to amend the IESO Market Rules should be permitted to make representations (written and/or oral) to the IESO BOD regarding proposed amendments to the IESO Market Rules (whether majority vote was achieved by the TP or not)
- All records (e.g., analysis, etc.) relating to IESO Management proposed amendments to the IESO Market Rules recommended to the IESO BOD should be made public, and all TP member, market participant, or stakeholder materials (e.g., submissions, etc.) relating to their representations to the IESO BOD should be made public

The Consortium is pleased that the IESO acknowledged the need to address governance relating to the Market Renewal Program at the January 20, 2017 MRWG meeting. However, it does not appear that needed stakeholder consultation regarding review of the governance within the IAM has kept pace with the existing Market Renewal Program stakeholder consultations (e.g., ICA Workstream). Therefore, the Consortium recommends that the review and exploration of changes to the governance within the IAM become a standing agenda item at all MRWG meetings relating to the review and future changes to the process to amend the IESO Market Rules. The recommendations listed within this submission represent our initial thoughts, and more detailed recommendations will be forthcoming as the IESO, market participants, and other stakeholders review the governance within the IAM followed by an identification of potential options to improve its governance.

The Consortium will be happy to discuss the contents of this submission with the IESO and the MRWG at a mutually convenient time.

Sincerely,



Jason Chee-Aloy
Managing Director
Power Advisory LLC

cc:

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Michael Lyle (IESO)
Chuck Farmer (IESO and Chair of IESO Technical Panel)
Ryan King (IESO)
Rob Coulbeck – Market Renewal Working Group Co-Chair (Goreway Power Station)
Paul Dottori – Market Renewal Working Group Co-Chair (Tembec)
Laura Jehn (Algonquin Power)
Roslyn McMann (BluEarth Renewables)
Adam Rosso (Boralex)
Jack Burkom (Brookfield Renewable Power)
Brandy Giannetta (Canadian Wind Energy Association)
Wes Johnston (Canadian Solar Industries Association)
David Thornton (EDF EN)
Tom LoTurco (EDPR)
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Deborah Langelaan (ENGIE)
Stephen Somerville (H2O Power)
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Kellie Metcalf (Pattern Energy)
Chris Scott (Suncor)
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**Appendix – Answers to ICA Demand Curve Related Questions
from the October 18, 2017 MRWG Meeting**

Should the Demand Curve design and process for setting and re-setting the Demand Curve be set out in IESO Market Rules, IESO Market Manuals, or both?

Consortium Response:

The Demand Curve design along with other key components of the ICA should be set in IESO Market Rules and not IESO Market Manuals. In addition, the existing process to amend the IESO Market Rules needs to change, in accordance with the initial recommendations made within this submission, to provide needed additional oversight, governance, and stakeholder representations to the IESO, IESO BOD, and the OEB.

Should a change in the value of Net Cost of New Entry (CONE) require market rule amendments?

Consortium Response:

Yes – for same reasons described in the above answer.

What is the appropriate level of stakeholder involvement in setting and re-setting the Demand Curve in the Ontario context?

Consortium Response:

Stakeholders and market participants must be very involved; asset owners and developers will ultimately make investment decisions regarding the maintenance and uprate of assets (e.g., generation) and development of new projects.

Which steps in the Demand Curve setting and re-setting process does the MRWG feel are most important for stakeholders to be involved in?

Consortium Response:

Stakeholders should be heavily involved within all aspects of setting and re-setting the Demand Curve. As stated within this submission, changes to the existing governance framework regarding amendments to IESO Market Rules are needed.

Is there any additional information MRWG requires in order to provide input?

Consortium Response:

IESO has stated that governance will be addressed within the MRWG, yet no distinct process has been organized to address needed changes to governance. Therefore, the Consortium recommends that governance be a standing agenda item within all MRWG meetings with clear progress and action items working towards an action plan to revise the governance within the IAM.