

Memorandum

To: Stakeholder Advisory Committee

From: Kim Warren, Vice President, Market and System Operations and COO

Date: August 2, 2016

Subject: Agenda Item #7 - Curtailing Linked Wheel-Through Transactions

On May 20, 2016, the IESO – via an Interim Market Document Change (IMDC) – made amendments to Market Manual 7.2 Section 1.3.4, which clarified how the IESO may curtail linked-wheel-through transactions to avoid a nuclear shutdown if there is an indication in the pre-dispatch timeframe that nuclear units are being shut down.

The IESO Board of Directors recently received a letter co-signed by a number of stakeholders, raising concerns regarding the action and the stakeholder process, in particular, the timelines and transparency around the IMDC process. They also questioned the urgency around this change.

A copy of the letter to the IESO Board is attached. This agenda item will provide some background behind the need for the IMDC and speak to the concerns raised by stakeholders in this recent letter.

Date: July 18, 2016
To: IESO Board of Directors
From: APPrO
Brookfield Renewable
Hydro-Québec Energy Marketing
Manitoba Hydro
Nalcor Energy Marketing
Powerex Corp.
Shell Energy
RE: Curtailing Wheel-Through Transactions as a Control Action (IMDC-31)

In its April 21st bulletin, the IESO announced its intention to amend market rules to curtail wheel-through transactions to avoid nuclear shutting down. A webinar was then scheduled the following week on April 28th to provide participants with an explanation. During the webinar, the IESO noted that it would allow five business days – until May 4th – for stakeholders to comment. The IESO also indicated during the webinar that the amendment was already scheduled to be implemented on May 5th: the immediate day after comments were due. Following the webinar, a number of power marketers including Brookfield Renewable, Nalcor Energy Marketing, Shell Energy, and Hydro-Québec Energy Marketing submitted comments to question the soundness of both the amendment itself and the stakeholdering process. The issue was also brought up during the IESO's May 11th Stakeholder Advisory Committee ("SAC") meeting by the SAC member who represents the Related Businesses/Services sector. In response, the IESO posted additional clarification on May 12th, allowed another five business days for stakeholders to comment, and again scheduled the amendment's implementation the immediate day after comments were due on May 20th.

The undersigned companies ("the signatories") wish to raise a number of issues with regards to this stakeholdering process.

- In both instances, five business days did not allow stakeholders to analyze the proposal and provide comments in any meaningful fashion. As clearly stated in stakeholders' comments, the amendment had a significant and material impact on market operations and thus merited more careful scrutiny. This extremely short consultation timeframe also does not allow the IESO to

properly explain its proposal by engaging stakeholders. The signatories understand that there are occasions when expedited processes are necessary to manage urgent market events. But in this particular case, the IESO did not demonstrate an urgent need for an expedited amendment process. Applying the expedited amendment process without due cause would only serve to weaken the IESO's commitment to transparency and stakeholder engagement. The signatories thus believe that a more fulsome and extensive consultation process would have been the appropriate approach.

- Next, contrary to the IESO's typical Stakeholder Engagement processes, comments submitted by stakeholders in response to the amendment were not made public. The expedited amendment process therefore lacked transparency and did not respect the level of accountability that the IESO typically applies in its consultation processes. To our knowledge, the IESO's Technical Panel was also not made aware of the proposal.
- Finally, in both instances, the IESO had scheduled in advance the implementation date the exact next day after its commenting deadline. This calls into question how the IESO actually took stakeholder input into consideration, and suggests that a decision to implement the amendment had already been taken prior to the engagement process. For example, comments were first due end of day on May 4th, yet the IESO had already planned to implement its amendment on May 5th. It is unclear how meaningful the stakeholder process was if the IESO's staff would not have time to read, let alone respond to participants' comments before the IESO's original proposal was already scheduled to be implemented the next morning.

In sum, this expedited amendment not only impacted participants without due process, but also diminished market confidence as it lacked transparency and failed to adequately engage stakeholders. Wheel-through transactions are often meant to deliver Canadian electricity through Ontario for delivery in American markets and vice-versa. Such market rule changes that impact inter-jurisdictional electricity trades are extremely relevant to the signatories to this letter, who have an interest in increased Canada-US electricity trade, and by association efficient market designs via transparent and responsible stakeholder engagement. The signatories thus respectfully request that the IESO Board of Directors a) clarify if an expedited rule making process exists and was appropriately applied in this case, b) recognize that the wheel-through curtailment amendment merits a more comprehensive stakeholdering process to review its impact on the market, and c) clarify the criteria used by the IESO to justify the use of an expedited process.

Respectfully,

APPrO

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