

IESO Annual OEB Status Update Report (Period January 2012 – December 2016)

MSP Report Date	Recommendation	Status of Actions Taken to Address the Recommendation
November 17, 2016	<p>Recommendation 2-1</p> <p>Given the number of recent changes in operating reserve market, the Panel recommends that the IESO review whether the real-time operating reserve prices transparently reflect the value of operative reserve as more Control Action Operative Reserve capacity is scheduled, and whether changes to Control Action Operative Reserve offer quantities and prices could enhance the efficiency of the operating reserve market.</p>	<p>The IESO will undertake the recommended review in the new year to assess the issues with the current Control Action Operative Reserve (CAOR) structure and identify potential options. It is anticipated that the review will be completed by late Q1 of 2017 and the IESO will report back to the Market Surveillance Panel.</p>
	<p>Recommendation 3-1</p> <p>The Panel recommends that the IESO eliminate from the Real-time Generation Cost Guarantee (RT-GCG) program the guarantee associated with (a) incremental operating costs for start-up and ramp to minimum loading point; and (b) incremental maintenance costs for start-up and ramp to minimum loading point.</p>	<p>The IESO is concerned that the Panel’s recommendations, which would significantly reduce the incentive structure under the program, could have negative impacts on the program’s overall reliability goals, in that the output from some gas-fired units might not be offered into the market in real time, which would, in turn, impact market dynamics and reliability, potentially impairing the IESO’s ability to address changing conditions over the day. The IESO is proposing interim adjustments in 2017 to the processes around unit commitment.</p> <p><i>Please refer to the complete IESO Response to the November 17, 2016 Panel Report - IESO Response</i></p>

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	<p>Recommendation 3-2</p> <p>The Panel recommends that the IESO modify the RT-GCG program such that the revenues that are used to offset guaranteed costs under the program are expanded to include any net energy and operating reserve revenues earned, as well as all congestion management settlement credit (CMSC) payments received on: (a) output above a generation facility’s minimum loading point during its minimum generation block run time (MGBRT), and (b) output generated after the end of the facility’s MGBRT.</p>	<p>The IESO is concerned that the Panel’s recommendations, which would significantly reduce the incentive structure under the program, could have negative impacts on the program’s overall reliability goals, in that the output from some gas-fired units might not be offered into the market in real time, which would, in turn, impact market dynamics and reliability, potentially impairing the IESO’s ability to address changing conditions over the day. The IESO is proposing interim adjustments in 2017 to the processes around unit commitment.</p> <p><i>Please refer to the complete IESO Response to the November 17, 2016 Panel Report - IESO Response</i></p>
October 8, 2015	<p>Recommendation 2-1</p> <p>The Panel recommends that the IESO assess the methodology used to set the intertie zonal price for a congested intertie when the Net Interchange Scheduling Limit is binding or violated, in order to make the incentives provided by the intertie zonal price better fit the needs of the market.</p>	<p>The IESO continues to assess how changes to the intertie zonal price setting methodology would address the concerns noted by the Market Surveillance Panel without creating other unintended consequences. If required, the IESO will initiate a stakeholder engagement in 2017 to review modifications to the methodology and to determine whether any change is warranted and feasible.</p>

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	<p>Recommendation 2-2</p> <p>To the extent that the IESO believes the Real-Time Generator Cost Guarantee program continues to be needed, the Panel recommends that the IESO require generators to make more specific cost submissions under that program.</p>	<p>The IESO initiated a stakeholder engagement, “Real-Time Generation Cost Guarantee (RT-GCG) Program Cost Recovery Framework” in Q4 2015. Under this engagement, the IESO is considering possible changes to elements of the RT-GCG program. The changes are expected to increase the transparency of costs eligible to be submitted for recovery under the program, as well as reduce the scope and frequency of audits. The IESO continues to work with stakeholders through the formal engagement to finalize the details of the revised cost recovery framework.</p>
April 20, 2015	<p>Recommendation 3-1</p> <p>The Panel recommends that the IESO eliminate constrained-off Congestion Management Settlement Credit (CMSC) payments for all intertie transactions, with due consideration to the interplay between the elimination of negative CMSC payments and Intertie Offer Guarantee payments.</p>	<p>The recommendation was addressed by the IESO in 2015 through the implementation of market rule amendment MR-00423-R00: Limiting Constrained-Off CMSC at the Interties.</p>

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<p>February 2015</p> <p>Market Surveillance Panel Investigation Report</p>	<p>a) The IESO should review the CMSC payments being made to dispatchable loads since the November/December 2010 amendment to the Market Rules in order to determine whether there are significant amounts that continue to be unwarranted (i.e. paid as a result of market participant actions rather than to compensate for operating profit reductions arising from responding to dispatch instructions caused by grid conditions).</p> <p>b) If necessary, the IESO should make further amendments to the Market Rules to eliminate unwarranted CMSC payments to dispatchable loads.</p>	<p>The IESO has completed its quantitative analysis and assessment of the business rules associated with the payment and automated claw backs of CMSC to dispatchable loads. In 2016, the IESO discussed its findings with the Market Surveillance Panel. The IESO found that a majority of those payments to dispatchable loads in November/December 2010 were not significant amounts but that there is a need to review the internal application of the Market Rules. The IESO is currently assessing the authority provided in the Market Rules to determine the need for a further Market Rule amendment. The IESO will communicate next steps to the Panel early next year.</p>

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September 24, 2014	<p>Recommendation 3-2</p> <p>The Panel recommends that the IESO revise the way it allocates uplift charges associated with top-up payments under the real-time generation cost guarantee and day-ahead production cost guarantee programs so that the charges to the Ontario consumers and to exporters better reflect the extent to which each group causes those payments to be incurred.</p>	<p>The IESO presented its analysis to the Market Surveillance Panel in 2016, which considered other factors that trigger RT-GCG commitments. The IESO concluded that exports are not the sole cause of additional real-time unit commitments and that a combination of factors are causing commitments in real-time. Based on the IESO’s analysis and discussion with the Market Surveillance Panel, the IESO is not currently prioritizing a revision of the uplift allocation methodology associated with top-up payments under the RT-GCG and Day-Ahead Production Cost Guarantee (DA-PCG) programs. The implementation of a full Day-Ahead Market would enable the IESO to better identify the cause of any unit commitment.</p> <p>The IESO is prioritizing work on its Market Renewal program, which introduces fundamental changes to the energy market, including the development and implementation of a Day-Ahead Market.</p>
January 6, 2014	<p>Recommendation 2-1</p> <p>The Panel recommends that the IESO eliminate constrained-off Congestion Management Settlement Credit (CMSC) payments for all intertie transactions, with due consideration to the interplay between the elimination of negative CMSC payments and Intertie Offer Guarantee payments.</p>	<p>The recommendation was addressed by the IESO in 2015 through the implementation of market rule amendment MR-00423-R00: Limiting Constrained-Off CMSC at the Interties.</p>

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	<p>Recommendation 3-2</p> <p>If the IESO, after performing its detailed analysis, determines that the RT-GCG program continues to be needed, the Panel recommends that the IESO modify the RT-GCG program such that the revenues that are used to offset guaranteed costs under the program are expanded to include any profit (revenues less incremental operating costs) earned (a) on output above a generation facility’s minimum loading point during its minimum generation block run time (MGBRT), and (b) on output generated after the end of the facility’s MGBRT.</p>	<p>The IESO is concerned that the Panel’s recommendation, which would significantly reduce the incentive structure under the program, could have negative impacts on the program’s overall reliability goals, in that the output from some gas-fired units might not be offered into the market in real time, which would, in turn, impact market dynamics and reliability, potentially impairing the IESO’s ability to address changing conditions over the day. The IESO is proposing interim adjustments in 2017 to the processes around unit commitment.</p> <p><i>Please refer to the complete IESO Response to the November 17, 2016 Panel Report – IESO Response</i></p>

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	<p>Recommendation 3-3</p> <p>The Panel recommends that the IESO re-examine the question of integrating exports into EDAC to reduce the need to commit additional generation in real-time to meet export demand that currently only appears in the market in real-time. While the Panel is not recommending a specific approach for integrating exports, the following have been identified as potential options:</p> <p>a) introduce a mechanism that encourages exports to bid in EDAC; or</p> <p>b) include a forecast of exports when commitments are made under EDAC.</p>	<p>a) Part a) was addressed in the IESO’s January 31, 2014 response. The IESO stated that based upon its analysis in SE 21: Day-Ahead Market Evolution, it was not feasible to develop a mechanism to incent exports to participate in the Enhanced Day-Ahead Commitment (EDAC) process.</p> <p>b) The IESO presented its findings to the Market Surveillance Panel in 2016. The findings indicated that including a forecast of exports in EDAC would not likely result in the level of uplift reductions estimated by the Panel. The IESO has decided not to implement a forecast of exports in EDAC, and believes that the most effective way to incorporate exports in the day-ahead time frame is the implementation of a Day-Ahead Market. The IESO is prioritizing the Market Renewal Program which introduces fundamental changes to the energy market, including the development and implementation of a Day-Ahead Market.</p>
June 21, 2013	<p>Recommendation 2-1</p> <p>The IESO should consider expanding the current local market power framework to cover analogous circumstances that arise as part of the day-ahead commitment process.</p>	<p>The IESO has considered the need for expanding the local market power framework to cover analogous circumstances that arise as part of the DACP. As you know, the Market Renewal Program will be introducing a single schedule real-time energy market and a Day-Ahead Market. This will require the development of an exhaustive local market power framework that covers the day-ahead time frame. The IESO intends to engage the Market Surveillance Panel for input on the development of a revised framework during the design phase of the Market Renewal Program.</p>

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	<p>Recommendation 3-1</p> <p>The IESO should implement a permanent, rule based solution to eliminate self-induced CMSC payments to ramping down generators.</p>	<p>The recommendation was addressed by the IESO in 2015 through the implementation of market rule amendment MR-00414: Limiting CMSC During Ramp-Down.</p>
January 14, 2013	<p>Recommendation 3-1</p> <p>The IESO should reassess the design of the Ontario transmission rights market to determine whether it is achieving its intended purpose.</p>	<p>Phase 2 of the Transmission Rights Market Review is intended to be a comprehensive review of all aspects of the transmission rights market design. The IESO stated at the end of 2015 that the timing of Phase 2 will be deferred until other impacts from enhancements to Ontario’s real-time electricity market through the Market Renewal Program can be identified. As such, the IESO continues to work on its Market Renewal Program, which introduces fundamental changes to the energy market, this will lead to a more comprehensive review of transmission rights.</p>
	<p>Recommendation 3-5</p> <p>As part of the IESO’s planned review of the Enhanced Day-Ahead Commitment Process, the Panel recommends that the IESO examine the interplay between the day-ahead intertie offer guarantee program and the transmission rights market.</p>	<p>In 2015, the IESO completed its examination of the interplay between the day-ahead intertie offer guarantee and the transmission rights market and discussed its findings with the Market Surveillance Panel in early 2016. The IESO concluded that the day-ahead intertie offer guarantee and the transmissions rights market are operating as designed. The IESO has also observed that the strategic offer behaviour identified has ceased to occur and determined that no changes to the market rules are required at this time.</p>

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April 27, 2012	<p>Recommendation 4-1</p> <p>The Panel recommends that the IESO proceed with development work on those recommendations of the Electricity Market Forum that are directed at improving market efficiency, including the consideration of options to replace the two-schedule structure of the current market design.</p>	<p>The IESO appreciates the Panel’s support in the IESO’s Market Renewal Program. The Market Renewal Program will introduce fundamental changes to the energy market, including a re-design of its real-time unit commitment process to achieve reliability objectives in a more efficient manner.</p> <p>Consistent with the feedback that the IESO received from the Panel on the Market Renewal Program, all the energy initiatives (Single Schedule, Day-Ahead Market and enhanced real-time unit commitment process) will be undertaken as a single cohesive project rather than as sequenced projects, as originally proposed. That approach will ensure earlier implementation of all components. Market Renewal will be a significant project for the sector and we are looking forward to working with the Panel as it proceeds.</p>