SEPTEMBER 16, 2026

IESO September Engagement Days

Adjustments to the Intertie Offer Guarantee (IOG)

Public Meeting #2

Independent Electricity System Operator (IESO)

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Territory Acknowledgement

The IESO acknowledges the land we are delivering today's webinar from is the traditional territory of many nations including the Mississaugas of the Credit, the Anishnabeg, the Chippewa, the Haudenosaunee and the Wendat peoples and is now home to many diverse First Nations, Inuit and Métis peoples. We also acknowledge that Toronto is covered by Treaty 13 with the Mississaugas of the Credit First Nation.

As we have attendees from across Ontario, the IESO would also like to acknowledge all of the traditional territories across the province, which includes those of the Algonquin, Anishnawbe, Cree, Oji-Cree, Huron-Wendat, Haudenosaunee and Métis peoples.

Engagement Principles and Process

- This initiative will be conducted according to the **IESO Engagement Principles**
- Today’s session will be **recorded** and available for viewing online
- **Meeting materials** are posted on the IOG engagement webpage

Meeting Logistics and Participation

- For questions and comments, click on the "**raise hand**" icon (hand symbol) at the top of the application window. This will indicate to the host you would like to speak
- To **unmute** audio, click on the microphone icon at the top of the application window
- Audio should be **muted** when not speaking
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Agenda

- Recap of Proposal and Rationale
- Feedback Received and/or Red-Line Documents
    - Conditional IOG based on System Adequacy Needs
    - Real-Time Energy Lost Cost Make-Whole Payment (MWP) Eligibility
    - Intertie Congestion Methodology
- Next Steps and Feedback

Background

- The Intertie Offer Guarantee (IOG) was introduced in 2002 to ensure importers receive at least their offer price if real-time prices fall below that level, supporting continued participation and reliable supply
- In the renewed market, import transactions can be settled on day-ahead prices. Importers continue to be eligible for an IOG in real-time
- The IOG shields importers from PD-1 to real-time price risk and is recovered through ratepayer uplift
- In September 2024, the MSP recommended that the IESO review the benefits and costs of continuing the real time IOG after MRP was deployed, and provide a recommendation on whether they should be maintained, modified, or discontinued

Feedback Received

Can the IESO share more information on the analysis that was conducted?

- What was looked at?
- How did the IESO come to this conclusion?

MSP Assessment

The MSP stated that "in 2024, 71% ($30 million) of the total $42 million IOG payments were made during periods when the supply margin was above the -2,000MW threshold and imports were not critical to meet demand"[1]

Since launch of MRP, the IESO's assessment indicates that 90% of the IOG payments were made during periods when the excess energy margin was above 0 MW. Of the 10%, that were made at or below 0 MW, majority was during COS/EEA events

[1]MSP REPORT

IESO Assessment Approach

- The assessment focused on two areas: Market impacts, and operational/reliability impacts
- The scenarios assessed were when incremental RT import transactions were limited or removed entirely. No reliability impacts were observed, including no Operating Reserve (OR) shortfalls. With reduced import offer quantities in pre-dispatch, market and commitment processes had sufficient opportunity to schedule alternative resources. The IESO found that market mechanisms were able to efficiently and reliability solve for the system need
- The review also highlighted instances where imports were required to maintain system reliability, specifically during periods when the IESO declared a Conservative Operating State (COS). Based on these findings, the IESO concluded that IOG eligibility should be made conditional on these conservative/emergency events rather than eliminated entirely

Overview of Proposed Changes

Description
Payment of IOG based on System Adequacy Needs
Payment of Real-Time Energy Lost Cost Make-Whole Payment (RT ELC MWP)
Change to Intertie Congestion Pricing Methodology

Payment of IOG based on System Adequacy Needs

Recap: Payment of IOG

- **Rationale for Change:** The IOG is intended to ensure an adequate supply of energy into Ontario **AND** reduce an importers' price risk. However, IOG compensation is currently provided under all system conditions, resulting in a significant share of rate-payer funded payments being made during periods when no system adequacy need is present

- **Proposed Solution:** Align IOG compensation with periods where a clear system adequacy need has been identified:
    - Declaration of a Conservative Operating State or Emergency Operating State;
    - Issuance of an Energy Emergency Alert (EEA) Levels 1, 2, or 3; and/or
    - Issuance of advisory notice identifying the need for additional imports at specific intertie(s)

Feedback Received

Can the IESO provide more information on the notification process for IOG eligibility

- How will the IESO notify?
- When will the IESO notify?
- What happens when the operating state occurs in RT?

How will the IESO Notify of IOG Eligibility?

- The notification process will remain unchanged for traders. IESO will enhance existing notices by including IOG information, which will continue to be delivered through the same familiar notification channels

- Notifications will be posted on the IESO website: https://www.ieso.ca/sector-participants/rss-feeds/
  - Emergency Advisory Notices
  - Day 0 Advisory Notices Summary
  - Day 1 to 34 Advisory Notices Summary

- Market Participants can subscribe to the RSS feed for these notices to receive automatic updates when new notifications are published
  - Instructions for subscribing are available here: how-to-subscribe-to-rss-feeds.pdf

When will the IESO Notify of IOG Eligibility?

- The IESO will indicate IOG eligibility within the below advisory notices:
  - Advanced Notice of Conservative Operating State
  - Conservative Operating State
  - Emergency Operating State
  - Energy Emergency Alerts 1, 2, or 3
  - Other transmission system security conditions
    - Enables IOG eligibility to be triggered at a local level. Notification will be in the same manner as the other notices

What happens when the operating state occurs in RT?

- Since May 1, 2025, no starting notices have been issued within the hour in which a declaration began.* Of the 80 notices issued, only three were provided less than two hours before the declaration began
- Shortly after MRP, the IESO adopted the practice of issuing Advanced Notices of COS. Since then, all notices have been communicated ahead of real time, providing market participants with greater advance visibility
- If advance notice is infeasible due to sudden unforeseen circumstances, the IESO may solicit bids/offers within the mandatory window, in accordance with the Energy Operating State Control Actions (EOSCA) list in MM 7.1.

*EEA has been issued in RT, however, COS was already declared prior

EEA Declared in Real-Time

Time Notice was issued

July 13th HE 22

July 14th HE 14

Declaration of COS for July 14th HE 8-22

Declaration of EEA for July 14th HE 14-22

What the notice contained

Declaration of EEA was issued within the hour the declaration was set to begin. However, COS was already declared from HE 8-22, no impact to IOG eligibility

Changes to Market Rules & Manuals

Overview of revisions required:

- Specify the conditions under which imports are eligible for RT IOG
- Take the minimum of the RT ELC EOP and the RT Schedule, in IOG calculations to clearly distinguish quantities eligible for IOG compensation from those addressed through RT LC MWPs
  - Similar changes are needed in Charge Types and Equations CT 1927
- Include how market participants will be notified of IOG eligibility

Changes to Market Rules

Chapter 9 Section	Description
3.6.1	• Introduces declaration-based eligibility criterion for IOG compensation, as specified in the applicable Market Manual.
3.6.3b	• Updated the ($Potential\_IOG^{i}_{k,h}$) calculation to apply the minimum of the ($RT\_LC\_EOP^{i,t}_{k,h}$) and ($SQEI^{i,t}_{k,h}$)
3.6.4a & 3.6.4b	• Updated the ($IOG\_RATE^{i}_{k,h}$) to apply the minimum of the ($RT\_LC\_EOP^{i,t}_{k,h}$) and ($SQEI^{i,t}_{k,h}$). • The ($IOG\_RATE^{i}_{k,h}$) shall be zero if the ($DAM\_QSI^{i}_{k,h}$) is greater than or equal to $Min(RT\_LC\_EOP^{i,t}_{k,h}, SQEI^{i,t}_{k,h})$

Changes to Market Manuals

Market Manual & Section	Description
MM 4.3 Section 4.5 Table 4-1	• Updated the table to include a footnote #6 specifying that RT IOG eligibility is defined in the applicable Market Manual.
MM 5.5 Section 2.18 and Appendix D	• Section 2.18: New language describing declaration-based eligibility criterion for IOG compensation (COS/EOS/EEA, and local conditions) • Appendix D: Added clarifying language to the IOG Offset Process example to indicate that it is a simplified illustration that assumes ($RT\_LC\_EOP^{i,t}_{k,h}$) and ($SQEI^{i,t}_{k,h}$) are equal.
MM 7.1 Section 5.1 and Appendix B.1	• Section 5.1: Updated to include communications on IOG eligibility for specific interties • Appendix B.1: Updated the Description of EEA/COS/EOS advisory notices to include information on IOG eligibility, and to clarify that COS advisories can be made in advance of real-time as per MM7.1 Section 2.4.1

Changes to Charge Types & Equations

Charge Type	Change Required
1927 (RT_IOG)	• Update the ($Potential\_IOG^{i}_{k,h}$) calculation to apply the minimum of the ($RT\_LC\_EOP^{i,t}_{k,h}$) and ($SQEI^{i,t}_{k,h}$) • Update the ($IOG\_RATE^{i}_{k,h}$) to apply the minimum of the ($RT\_LC\_EOP^{i,t}_{k,h}$) and ($SQEI^{i,t}_{k,h}$). • The ($IOG\_RATE^{i}_{k,h}$) shall be zero if the ($DAM\_QSI^{i}_{k,h}$) is greater than or equal to $Min(RT\_LC\_EOP^{i,t}_{k,h}, SQEI^{i,t}_{k,h})$

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Payment of Real Time Lost Cost Make-Whole Payment (RT ELC MWP)

Changes to Market Rules & Manuals

Overview of revisions required:

- Add import eligibility for Real-Time Energy Lost Cost MWPs
- Update the $RT\_MWP^{i}_{k,h}$ calculation for imports to include the new RT_ELC component
- Introduce an RT_ELC calculation for imports dispatched under manual out-of-merit reason codes or PD pricing discrepancies during periods of IOG eligibility ("Out-of-Merit Calculation")
- Introduce RT_ELC calculation for import transactions dispatched with a reason code associated with a PD pricing discrepancy when the IESO has not declared IOG eligibility ("PD Pricing Discrepancy Calculation")

Changes to Market Rules

Chapter 9 Section	Description
3.5.1.2a & 3.5.1.2b	• Add references to updated clauses for ELC (3.5.8.3a & 3.5.8.4a) and OLC (3.5.8.3b & 3.5.8.4b)
3.5.2.j	• When IOG eligibility has not been declared, introduce import PD Pricing Discrepancy MWP ineligibility when LMP in both pre-dispatch and real-time market exceeds offer
3.5.4.2	• Remove ELC from the list of real-time make-whole payment components for which boundary entity resources with import transactions are ineligible
3.5.8.3a	• New formula that calculates ($RT\_ELC^{i,t}_{k,h}$) as a component in the ($RT\_MWP^{i}_{k,h}$) calculation where: • an import transaction is dispatched with a reason code associated with manual dispatch out-of-merit, or • an import transaction is dispatched with a reason code associated with pre-dispatch pricing discrepancy when RT_IOG eligibility has been declared

Changes to Market Rules (Continued)

Chapter 9 Section	Description
3.5.8.4a	• New formula that calculates the Real Time Energy Lost Cost ($RT\_ELC^{i,t}_{k,h}$) as a component in the ($RT\_MWP^{i}_{k,h}$) calculation where an import transaction is dispatched with a reason code associated with pre-dispatch pricing discrepancy when the IESO has not declared RT_IOG eligibility

Changes to Market Manuals

Market Manual & Section	**Description**
MM 4.3 Section 4.5 Table 4-1	• Revise references from "exports" to "interties" to align with updated Make-Whole Payment eligibility and Failure Charge treatment for imports under applicable scenarios and reason codes.
MM 5.5 Section 2.7	• Added references to import transactions within the RT_MWP ineligibility provisions, as per edits to MM 4.3 Table 4-1

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Changes to Charge Types & Equations

Charge Type	Change Required
1900 (RT_MWP – RT ELC for Boundary Entity Resources - Imports)	• New formula that calculates ($RT\_ELC^{i,t}_{k,h}$) as a component in the ($RT\_MWP^{i}_{k,h}$) calculation where: ○ an import transaction is dispatched with a reason code associated with manual dispatch out-of-merit, or; ○ an import transaction is dispatched with a reason code associated with pre-dispatch pricing discrepancy when RT_IOG eligibility has been declared • New formula that calculates the Real Time Energy Lost Cost ($RT\_ELC^{i,t}_{k,h}$) as a component in the ($RT\_MWP^{i}_{k,h}$) calculation where an import transaction is dispatched with a reason code associated with pre-dispatch pricing discrepancy when the IESO has not declared RT_IOG eligibility

Change to Intertie Congestion Methodology

IBP = Intertie Border Price
ICP = Intertie Congestion Price
LMP = Locational Marginal Price

Recap: Intertie Congestion Methodology

Currently, three different congestion methodologies are used to calculate the Intertie settlement price. Since imports are protected from downside risk through the IOG, the import congestion methodology currently limits their ability to capture RT LMP upside

- **Rationale for change:** As downside risk protection becomes conditional, the congestion methodology should be revised to enable imports to capture potential RT LMP upside, restoring a balanced risk-reward framework
- **Proposed solution:** Update the intertie congestion methodologies to a static methodology that enables imports to capture upside of the RT LMP for energy and operating reserve

Intertie Settlement Price Logic			
Current Dynamic Method	**Import Congestion**	**Export Congestion**	**No Congestion**
	Min (PD-1 LMP, RT IBP)	RT IBP + PD ICP	RT IBP
Future Static Method	RT IBP + PD ICP		

Changes to Market Rules

Overview of revisions required: Update the intertie congestion methodology for Energy and Operating Reserve (Chapter 7 App 7.6 s.11.3 and s.11.4)

Chapter 7 App 7.6 Section 11	Description
11.3.2.3 & 11.4.2.3	• Remove import congestion and no congestion methodologies for energy and operating reserve
11.3.2.4	• Remove reference to export congestion methodology for energy • Update the congestion methodology to a static methodology for energy (in-service)
11.3.2.5	• Remove reference to no intertie congestion methodology for energy
11.4.2.4	• Update the intertie congestion methodology to a static methodology for operating reserve (in-service)
11.4.2.5	• Maintaining the pricing logic of out-of-service interties that was included in 11.4.2.3 (now deleted)

Next Steps and Feedback

Submitting Feedback

- Feedback is an important IESO engagement principle to ensure that sector input and perspectives are considered
- The IESO is requesting written feedback via the **IESO's Feedback Form** (available on the MWP engagement webpage)
  - Feedback is being requested by **September 30, 2026**
- Please submit to IESO Engagement engagement@ieso.ca

Questions?

Please submit feedback forms to IESO Engagement@ieso.ca

or contact us with any questions/concerns

Thank You

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