

Feedback Form

Intertie Offer Guarantee (IOG) - Adjustments to Payment Conditions

Feedback Provided by:

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Date: 2026.09.03

To promote transparency, feedback submitted will be posted on the IOG engagement page unless otherwise requested by the sender.

- ☐ **NO - There is confidential information, do not post**
☒ **YES - Comfortable to publish to the IESO web page**

Following the August 18th IOG – Adjustments to Payment Conditions engagement webinar, the Independent Electricity System Operator (IESO) is seeking feedback from stakeholders on the items discussed. The presentation and recording can be accessed from the [engagement](#) webpage.

Note: The IESO will accept additional materials where it may be required to support your rationale provided below. When sending additional materials, please indicate if they are confidential.

Please submit feedback to engagement@ieso.ca by September 4, 2026.

Conditional IOG – Future Method

1. Do you have any questions/feedback on the proposed conditional IOG?

We appreciate the IESO's efforts to address perceived inefficiencies associated with the Intertie Offer Guarantee ("IOG"). However, we remain concerned that the proposed changes may materially reduce the incentive for market participants to offer imports into Ontario.

1. Removal of IOG may both discourage imports and encourage additional exports

The immediate effect of the proposal is that importers would carry substantially more real-time price risk in hours where an IOG-eligible adequacy condition has not been declared.

We would also ask the IESO to consider a second effect. Under the current settlement framework, a participant importing into Ontario has reason to consider whether its own exports will cancel out the IOG available to it. Where that is the case, the existing design indirectly discourages exporting during those hours. If the IOG is no longer available under normal operating conditions, that consideration falls away. A participant already exposed to the full downside of an import transaction has less reason to forgo an attractive export opportunity in the same period.

The reliability and price impact of the proposal should therefore not be assessed solely on the import volume that may be withdrawn. The relevant measure is the potential change in net interchange.

2. Historical IOG Payments May Understate the Value of the Existing Mechanism

We are concerned that an assessment based primarily on historical IOG payments will understate both the value of the current mechanism and the impact of removing it.

Ontario can experience real-time shocks that are difficult to anticipate when import offers are submitted, including unexpected generator outages, transmission constraints, and weather-driven deviations. In those situations, imports already offered and scheduled provide a buffer against the resulting supply shortfall. They help moderate price outcomes, reduce the severity of operating actions, and improve Ontario's ability to absorb the event.

Importantly, in many of the intervals where those imports prove most valuable, no IOG payment is made because real-time price rises, the imports are economic and the guarantee is not called upon.

Without the IOG, a majority of imports may not have been offered in the first place because participants would have had to bear the full risk of an adverse pre-dispatch-to-real-time price movement. This risk is amplified when neighboring markets are also tight, as importers may have economically attractive alternatives outside Ontario and therefore less incentive to commit supply into Ontario without downside protection. The appropriate counterfactual is therefore not the same historical system with the payments removed. It is a system in which fewer imports may have been scheduled ahead of the shock, leaving a smaller supply buffer to absorb it. In our view, that distinction can change the reliability assessment considerably.

3. IOG Protects Importers From Risks They Cannot Control

An importer offers energy into Ontario based on the prevailing pre-dispatch price. Where that offer is scheduled, it is because the IESO's own dispatch has determined the transaction to be economic at that time. The decision is made on the best information available to both the participant and the market operator, and it is the right decision based on that information.

Once the schedule becomes binding, the participant can no longer withdraw. What follows is outside its control. Real-time prices can move materially lower because of load forecast error, changes in generation availability, multi-interval optimization, congestion outcomes, or other system developments arising after the commitment was made. The transaction that was economic when it was accepted can settle at a substantial loss without anything about the original decision having been wrong.

Without the IOG, the importer is effectively being asked to make a binding supply commitment based on one market signal while accepting settlement exposure to a potentially very different market outcome that develops later.

This exposure is compounded by the length of Ontario's scheduling window. At two hours, Ontario's mandatory window is the longest of any major market in the region, against 30 to 75 minutes elsewhere. Every development described above — load forecast error, changes in generation availability, congestion outcomes, multi-interval optimization — is given a two-hour runway in which to move against a commitment the participant can no longer withdraw.

We recognise that neighbouring markets do not offer an IOG-equivalent guarantee, and we expect that comparison to be raised in support of the proposal. In our view it does not support it, because a guarantee is only one part of the package a participant is offered. In those markets, participants retain the ability to manage pre-dispatch-to-real-time risk themselves: the binding window is a fraction of Ontario's, and mechanisms such as Coordinated Transaction Scheduling and 15-minute scheduling intervals allow interchange positions to be adjusted as system conditions change. A guarantee is far less necessary where the exposure is short and the participant can still act on new information before delivery.

Ontario is proposing to remove the protection while retaining the longest binding window in the region and the fewest means of adjusting within it. It would leave the importer bound to a price signal for two hours with no ability to respond to anything that happens afterwards and no recourse when the outcome moves against it.

The IESO has suggested that participants seeking price certainty can instead transact in the day-ahead market. However, we do not believe day-ahead participation is a complete substitute for real-time import activity. Market conditions, weather forecasts, available external supply, and unexpected system contingencies continue to evolve after the day-ahead market closes. There is also material delivery risk associated with committing an import in the day-ahead market. Tie cuts, TLR actions, and reductions in available ramp/transmission capability can prevent or reduce the participant's ability to physically cover a day-ahead sale into Ontario. These risks are inherently uncertain and become significantly more difficult to manage when the transaction must be committed to a full day before delivery.

4. Structural Unattractiveness of Importing into Ontario

Two structural factors reduce the attractiveness of Ontario as a destination for imported energy, independent of the IOG.

Exchange rates: Ontario settles in Canadian dollars while the majority of energy is sourced in US dollars. Over the past fifteen months, USD/CAD averaged 1.3835, with a high of 1.4234. The Ontario price must therefore exceed the neighboring market price by approximately 40% before an importer breaks even on energy alone.

Export charges: Several neighboring US markets apply costly export charges. An importer consequently pays more to deliver energy to the Ontario border.

These are fixed costs of serving Ontario, and they mean that import economics carry very little margin for error before any real-time price risk is considered. The IOG is one of the few features of the current design that offsets them. Removing it further reduces the incentive to deliver energy into Ontario.

5. Shifting Import Participation Toward Day-Ahead May Not Be Economically Viable

The IESO has suggested that participants seeking price certainty can transact in the day-ahead market. Our analysis of historical margins does not indicate that this is a practical substitute for real-time import participation.

We examined every hour from 1 June 2025 to 25 August 2026, approximately 10,800 hours per intertie, for two import options: sourcing energy in the neighbouring DA market and selling into the Ontario DA market, and sourcing in the neighbouring RT market and selling into the Ontario DA market. Both are priced net of currency conversion and of the actual transmission and market charges payable to deliver a MWh to the Ontario border.

Intertie	Charges	Externals DA to Ontario DA	% hours profitable	Externals RT to Ontario DA
MISI (Michigan)	\$17.99	-\$19.13	13.4%	-\$18.33
MNSI (Minnesota)	\$17.99	-\$21.43	16.2%	-\$18.49
NYSI (New York)	\$13.65	-\$24.02	9.7%	-\$19.66
MBSI (Manitoba)	\$27.59	-\$29.90	12.9%	-\$26.03
PQAT (Quebec)	\$23.02	-\$25.16	16.5%	-\$20.09
MISI (Calvert Cliffs)	\$19.62	-\$22.64	11.9%	-\$21.32

Both options are negative at every intertie. Across the six interties and fifteen months examined, only 6 of 90 tie-months produced a positive average margin.

Taken together, the historical data does not support the view that an economic day-ahead import opportunity exists to replace real-time participation.

** Prices are hourly published market data for 1 June 2025 to 25 August 2026 (approximately 10,800 hours per path). Ontario leg: IESO day-ahead intertie zone LMP at MI.LUDINGTON_MISI, MN.INTFALLS_MNSI, NY.ROSETON_NYSI, MB.WHITESHELL_MBSI, PQ.OUTAOUAIS_PQAT and MD.CALVERTCLIFF_MISI. Source leg: MISO day-ahead and real-time LMP at the ONT interface (Michigan), the ONT_W interface (Minnesota) and MHEB (Manitoba); NYISO day-ahead and real-time LBMP at the O H proxy bus (New York) and the H Q proxy bus (New York); and PJM day-ahead and real-time LMP at the IMO interface pricing node, PJM's Ontario interface. Currency converted at the daily USD/CAD rate (mean 1.3835 over the window). Charges are OATT and market tariff rates as maintained for settlement, last refreshed 4 November 2025 and held constant across the window, applied by on-peak and off-peak hour and converted at the same daily rate.*

6. Without IOG, Importers Could Be Exposed to Settlement Prices That Materially Deviate from Their Marginal Costs

We are concerned that the interaction between the proposed removal of IOG protection and the intertie pricing methodology can expose importers to outcomes that are substantially more severe than simply realizing a price below their marginal operating cost.

In certain circumstances, an importer could be economically scheduled based on the Ontario pre-dispatch price, yet ultimately realize a significantly negative settlement price because of the interaction between the ECP and the NISL.

Before Bidding window closes:

PD IBP	\$120
PD ECP	-\$10
PD NISL	\$0
PD LMP	$\$110 = \$120 + (-\$10)$
Import Offer	\$85

After Bidding window closes under a scenario where IESO increased load forecast for the hour which resulted in a jump in PD:

New PD IBP	\$300
PD ECP	-\$190
PD NISL	\$0
PD LMP	$\$110 = \$300 + (-\$190)$

Import Offer	\$85
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In Real-time:

RT IBP	\$140
RT LMP	$-\$50 = \$140 + (-\$190)$
With IOG Importer receives	\$85
Without IOG Importer receives	$-\$50$

In this case, a importer offered at its marginal cost of \$85/MWh based on a strong Ontario pre-dispatch signal, was committed to the transaction, was economic in both PD and RT, but ultimately settled at a materially negative price due to changes in PD swings.

That degree of asymmetric downside risk will inevitably influence participant behavior.

An importer has no control over Ontario load forecast errors, changes in system conditions between pre-dispatch and real time, or the broader scheduling and pricing outcomes that develop after its transaction is committed. IOG was intended to protect importers from these uncontrollable deviations when they adversely affect the recovery of their marginal costs.

If the participant can be locked into an import based on one set of market conditions and subsequently exposed to a materially negative realized price because those conditions change, the economically rational response is to incorporate that tail risk into future offers.

This could manifest in several ways:

- higher import offer prices to compensate for the additional downside risk;
- reduced import quantities;
- reduced willingness to commit energy to Ontario before an adequacy declaration has occurred.

7. We encourage the IESO to publish the supporting analysis

We encourage the IESO to make the analysis supporting the proposed IOG changes transparent.

Throughout the engagement, the IESO indicated that it had completed substantial analysis of the reliability, cost, behavioural and market impacts of the proposal. Relatively little of that analysis was reflected in the presentation materials. Participants have therefore been asked to evaluate a significant market design change

without visibility into the assumptions, methodology, historical data, or quantitative results supporting the recommendation.

We recognise that participant-specific information is confidential and should remain protected. We encourage the IESO to publish aggregated analysis addressing the key questions raised during the engagement, so that participants can engage with the underlying case and test the IESO's import-response assumptions against their own experience.

2. Do you have any questions/feedback on the proposed IOG eligibility notification process?

Real-Time Energy Lost Cost (ELC) MWP Eligibility for Imports

Do you have any questions/feedback on applying the ELC MWP Eligibility to Imports and the examples provided?

General Feedback:

- Example 1: IOG vs ELC Payments
- Example 2: System Adequacy with ELC MWP & IOG in the same interval
- Example 3: Normal Conditions with ELC MWP & No IOG

1. Savings From Removing the IOG Are Likely to Be Offset by Higher ELC MWP Payments

We believe the cost savings attributed to removing the IOG would not be realised in full. In our view a substantial portion of them would reappear as higher RT ELC MWP, leaving a materially smaller net saving than the projected reduction in IOG payments implies.

The two mechanisms are not independent. Without IOG protection, importers would price the risks identified throughout this feedback form, and those raised by other participants during the engagement, directly into their offers. Import offers would become less closely aligned with prevailing pre-dispatch conditions and would be submitted at materially higher prices.

Those higher offers are the ones the IESO has to call upon when the system tightens. If the energy is needed, it is scheduled at the higher offer price, and the ELC make-whole payment is calculated against that higher offer. The cost the IOG previously absorbed does not disappear. It is relocated to a different settlement line item, at a higher price, and incurred in exactly the hours when Ontario can least afford to discourage imports.

Update Intertie Congestion Methodology

Do you have any questions/feedback on the rationale for updating the methodology?

General Comments/Feedback

Do you have additional feedback to share with the IESO?

1. Operating State and Energy Emergency Alert Declarations Arrive After the Shock, Not Before It

An Operating State change or an Energy Emergency Alert is issued in response to conditions that have already materialized — a forced generator outage, a transmission constraint, a large variable generation miss, or a demand deviation.

The import that would help absorb that event has to be offered and scheduled before it happens. Under Ontario's two-hour scheduling window, that decision is made at least two hours ahead of delivery. If the eligibility signal is published only once the shortfall is underway, it arrives after the window in which a participant could have acted on it.

This is a reliability concern. The imports that matter most are the ones already scheduled when the shock arrives, and those are committed under normal operating conditions, before any declaration exists. Conditioning the guarantee on a declaration that comes afterwards withdraws the incentive at exactly the point where it would have built the buffer, and leaves Ontario with less supply standing ahead of the events it is least able to forecast.

The examples below show that severe real-time outcomes regularly arise on days that do not look tight. In each case load was unremarkable and the system appeared adequately supplied at the time import offers would have been submitted, and none of these hours would have carried an IOG-eligible declaration at the point at which the commitment had to be made.

Date	Hour	RT LMP	DA LMP	Ontario Demand
2025-07-01	09	697	47.2	17861
2025-07-01	10	400	51.07	18724
2025-09-06	19	271.61	60.02	15752
2025-09-06	20	303.46	48.47	15799
2026-06-10	17	213	96	21755
2026-06-10	18	446	109	21673
2026-06-10	19	353	108	21729

2026-06-10	20	150	102	21402
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The circumstances of each are set out below.

- 2025-07-01, HE 9–10 — Canada Day. Ontario demand was 17,861 MW at hour 9, 536 megawatts below the July median for that hour. Gas capability then dropped from 10,741 to 9,934 megawatts at hour 9 — an 807 megawatt forced derate inside the hour. The real-time price reached \$697.00/MWh against a \$47.20 day-ahead.
- 2025-09-06, HE 19–20 — a mild Saturday. Ontario demand was 15,752 MW at hour 19, roughly 2,180 megawatts below the September median for that hour; by any measure the system was comfortable. Wind then fell 528 megawatts between hour 18 and hour 19 into the evening ramp, from 1,477 to 949 megawatts. The real-time price reached \$271.61/MWh at hour 19 and \$303.46/MWh at hour 20, against day-ahead clears of \$60.02 and \$48.47.
- 2026-06-10, HE 17–20 — a nuclear trip in the morning, gas losses into the evening peak. Darlington Unit 4 tripped shortly after 05:00, taking 872 megawatts off the system by hour 7. The evening then removed gas capability in three steps: at hour 18 Sithe Goreway Unit 12 lost its full 212 megawatts and Sithe Goreway Unit 15 a further 172 megawatts; at hour 19 Lennox Unit 1's 525 megawatts came off. Total gas capability fell from 9,841 megawatts at hour 17 to 9,020 megawatts at hour 19. Demand, meanwhile, undershot throughout: Ontario demand came in 879 megawatts below the day-ahead adequacy forecast at hour 18, and 571 to 989 megawatts below it across the whole afternoon and evening block. Load undershot all day and the price still reached \$445.52/MWh at hour 18, against a \$109.04 day-ahead.

None of these are extreme-demand days. In two of the three, demand was at or below normal for the hour, and in the June 2026 case load undershot the pre-dispatch forecast throughout the day while the price still reached \$446/MWh. What made these hours severe was a supply-side event that had not yet occurred when offers were due. An eligibility test based on the declared operating state cannot capture that class of event, because the state does not change until after the event has happened — and by then the window in which an importer could have responded has closed.