

# Stakeholder Feedback and IESO Response

## Transmission Rights Market Review – March 23, 2021 Webinar

Following the March 23, 2021 Transmission Rights Market Review (TRMR) engagement webinar, the Independent Electricity System Operator (IESO) invited stakeholders to provide feedback on the materials presented.

The IESO received feedback from:

Bruce Power

Evolugen by Brookfield Renewable

Hydro One

TransAlta

This feedback has been posted on the [engagement webpage](#).

### Note on Feedback Summary and IESO Response

The IESO appreciates the feedback received from stakeholders. The table below outlines a summary of the feedback received and an IESO response in relation to that feedback.

## Feedback Related to the Transmission Rights Market Review Final Report and Conclusion

Stakeholder Feedback	IESO Response
<p>A stakeholder noted that grid reliability, grid maintainability, grid sustainability and outage planning remain critical pieces of enabling transactions across the system and as such, must always take priority and remain unaffected by financial transactions. Any changes to the transmission rights (TR) market should not impact transmission owners ability to plan for outages to undertake their planned work.</p>	<p>The IESO appreciates this feedback. The high-value opportunities and long-term changes proposed by the TR Market Review aim to improve the overall efficiency, value and function of the TR market and bring the TR market in alignment with the future renewed energy market. The IESO believes that the identified opportunities and proposed changes to the financial TR market will not impact transmission owners’ ability to plan for outages.</p>
<p>Stakeholders provided additional feedback related to the Net Interchange Schedule Limit (NISL):</p> <p>The methodology of calculating and applying NISL congestion should be reviewed and assessed to ensure that the outcome is in line with the intention of the market design.</p> <p>In response to the IESO’s statement in the Dec. 14, 2020 TRMR presentation that states “the NISL congestion cost is currently omitted from applying to intertie settlement prices”, a stakeholder noted that NISL congestion seems embedded in intertie congestion price and intertie zonal price for congested interties.</p> <p>A stakeholder noted there is a risk of double counting NISL congestion by including it into settlement prices after Market Renewal Program (MRP) implementation and recommended the IESO provide examples demonstrating the difference on the intertie congestion price and settlement price before and after MRP is implemented to ensure that the NISL congestion will not be doubled counted post-MRP.</p>	<p>Thank you for providing this feedback regarding NISL under the current and future market designs. As proposed at the March 2021 TR Market Review engagement webinar, the IESO is currently reviewing issues and questions raised by stakeholders to be discussed in future meetings on NISL with stakeholders after the TR Market Review is completed. Part of the purpose of these NISL-focused meetings will be to better understand the materiality of its risks and impacts. All stakeholders who participated in the TR Market Review engagement will be notified when these meetings are scheduled.</p> <p>During Stage 3 of the TR Market Review, the IESO estimated the risk of congestion rent shortfalls, assuming TRs were to hedge NISL congestion post-MRP. Based on the data from 2018 to 2020, if NISL were included in TR payouts, it could result in a potential \$41.6M congestion rent shortfall, which would be difficult and costly to manage.</p> <p>In theory, if TRs were to hedge NISL post-MRP, market participants may increase their TR bids or energy offers, which may result in potential increases to the TR auction revenue and other benefits. However, in practice, whether these potential benefits would materialize and counter balance or outweigh the estimated \$41.6M congestion rent shortfall remains a question. It is not feasible to estimate with a reasonable degree of accuracy the potential benefits resulting from Market Participants’ behaviour changes.</p>

Stakeholder Feedback	IESO Response
<p>A stakeholder requested clarification on whether the IESO agrees that if NISL funds were included in TR payouts to rights-holders, then market participants would hedge against this risk by increasing their offers proportionally, which would increase market competition and confidence, and ultimately improve system reliability.</p> <p>A stakeholder requested clarification regarding how the IESO’s proposed MRP design satisfies Market Surveillance Panel’s 2015 recommendation on NISL.</p>	<p>A response to this MSP recommendation was provided in the IESO Annual OEB Status Update Report (Period January 2015 – December 2019):</p> <p>“The IESO is on track to address NISL pricing through the MRP. As part of the MRP, the IESO is better integrating violation pricing, which includes penalty prices for the NISL constraint. Having a penalty price for the NISL constraint allows prices to reflect when NISL is binding or violated. This will then send price signals that incent a market response that is consistent with system needs.”</p>
<p>Stakeholders indicated support for the following high-value opportunities identified during the TRMR:</p> <ul style="list-style-type: none"> <li>• Multiple bid laminations</li> <li>• On/off-peak TRs</li> <li>• Reconfiguration Auctions</li> <li>• Publishing additional information</li> </ul>	<p>The IESO would like to reiterate our thanks for stakeholders’ valuable input and active participation during the TR Market Review engagement.</p>
<p>A stakeholder requested further information on the decision-making methodology that the IESO applies to determine the amount of TRs made available versus Transmission Transfer Capability (TTC).</p>	<p>As part of Stage 2 of the TR Market Review engagement, the IESO explained and discussed with stakeholders in depth about the methodology to determine the number of TRs to auction.</p> <p>Today, three different mechanisms work in concert in the Pre-Auction period to determine the number of TRs to sell on each intertie, these are:</p> <ul style="list-style-type: none"> <li>• Expected Available Transfer Capability (ATC) with Consideration for Outages</li> </ul>

Stakeholder Feedback	IESO Response
	<ul style="list-style-type: none"> <li>• The Financial Upper Limit (FUL)</li> <li>• Expected ATC with Consideration for Operational Constraints</li> </ul> <p>The objective of these mechanisms is to avoid overselling TRs by utilizing the latest information on outages and operational constraints. Please refer to Market Manual 4.4 for more details of the methodology.</p>
<p>A stakeholder indicated appreciation for the open and transparent consultation process that the IESO has engaged stakeholders in on the TR Market Review.</p>	<p>Thank you for this feedback. The IESO would like to reiterate our thanks for stakeholders' openness, collaboration and support throughout the TRMR engagement.</p>