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Update on Long-Term Transmission Rights Methodology

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Welcome and Introduction

- This webinar is conducted according to the [IESO Engagement Principles](#)
- This webinar will be recorded and available for viewing following this engagement, in addition a pdf version will be available to allow viewing of the referenced appendix slides
- This presentation is to inform stakeholders of an update and feedback is not required as part of the implementation process

Webinar Participation

- We will pause throughout the presentation to take questions
- You may ask a question by clicking on the “Show Conversation” icon (message bubble symbol) to submit a written question or click on the “Raise hand” icon (hand symbol) at the top of the application window to indicate to the host that you would like to speak
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Agenda

- Objective
- Background of the Financial Upper Limit (FUL)
- Current Methodology and FUL
- Revised Methodology
- Impacts
- Proposed Revisions to Market Manual Language
- Timeline of Implementation

Objective

- To inform stakeholders of a revision being made to the methodology used in determining the number of transmission rights (TRs) available to offer in long-term (LT) auctions.
- This change will ensure that the financial upper limit (FUL) continues to be respected in all auctions.

Background on Financial Upper Limit (FUL)

- The FUL was implemented during the [2017 Transmission Rights Market Review](#) (SE-110) to aid in the balancing of congestion rents collected and TR payments made on a per path basis.
- The FUL determines the maximum number of long-term (LT) and short-term (ST) TRs that can be offered per path in any given auction.
- The FUL is adjusted ($\pm 4\%$) monthly to target a net cumulative balance* between congestion rents collected and TR payments for each path.

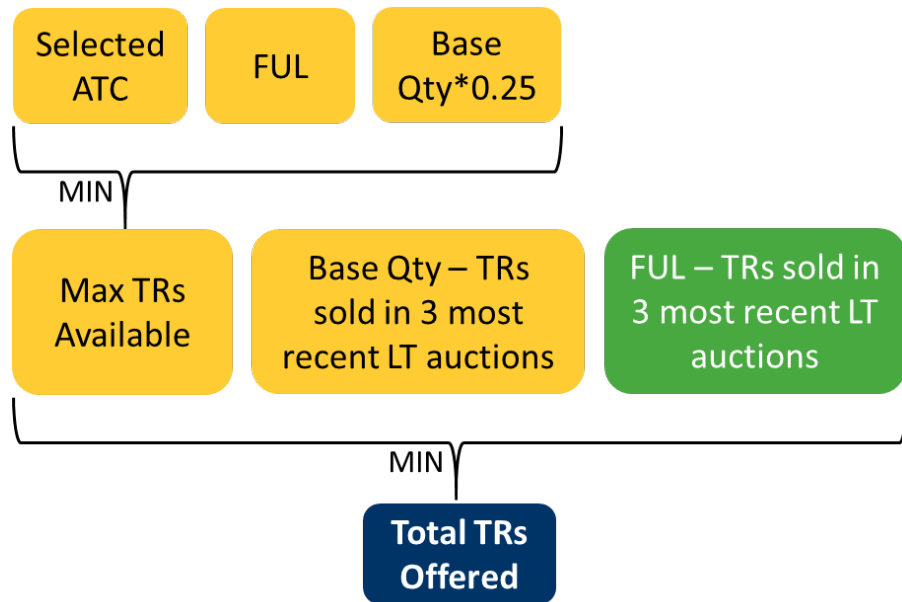
*Cumulative financial values starting from January 2017

Current Methodology and FUL

- The current methodology does not respect the FUL when determining how many TRs can be offered in one LT auction. It does not consider the FUL against the total number of TRs already sold in the previous three LT auctions*.
- Therefore, on paths where the FUL is lower than the base quantity but greater than one quarter of the base quantity, after four LT auctions the total number of TRs sold may exceed the FUL.
- In order to respect the FUL, the IESO will be updating the methodology.

*See Appendix for more details on overlapping validity periods

Revised Methodology



- When determining how many TRs can be offered in a LT auction, the IESO will be introducing a check to ensure the FUL is not exceeded when accounting for the number of TRs already sold*.
- This is consistent with the check already performed against the base quantity and ensures that the FUL is being respected.

*See Appendix for example



Questions?

Impact of Revised Methodology

Aligning the methodology to respect the FUL means:

- Financial balance will be achieved sooner on paths with low FUL* compared to current methodology.
- TR participants will see a short-term reduction in the number of LT TRs offered on paths with low FUL.

*FUL less than base quantity

Proposed Revisions to Market Manual Language

Market Manual 4.4, Section 2.2.4

The number of *TRs* offered on each path at a *long-term auction* is limited to the lowest of the following:

- 25% of the established *TR* base quantity,
- The financial upper limit,
- Expected ATC with consideration for *outages* (single/multiple, internal/external, planned/foreseeable or concurrent/consecutive) that have an impact for more than 30 days,
- Expected ATC with consideration for non-*tieline* or operational constraints (for example, a constraint on an internal/external interface that imposes a limit on import/export).

Note: The actual number of *TRs* available for bidding may further be reduced in order to ensure the *TR* base quantity and the financial upper limit are not exceeded when accounting for the *TRs* sold in previous three applicable *long-term auctions*.

Timeline of Implementation

- The Market Manual changes will be implemented through the interim market document change process.
- Stakeholders can comment on the draft Market Manual changes which will be posted before the end of Q1.
- The changes are anticipated to be in place ahead of the July 2022 long-term auction.
- If you have any questions following this engagement you may contact engagement@ieso.ca

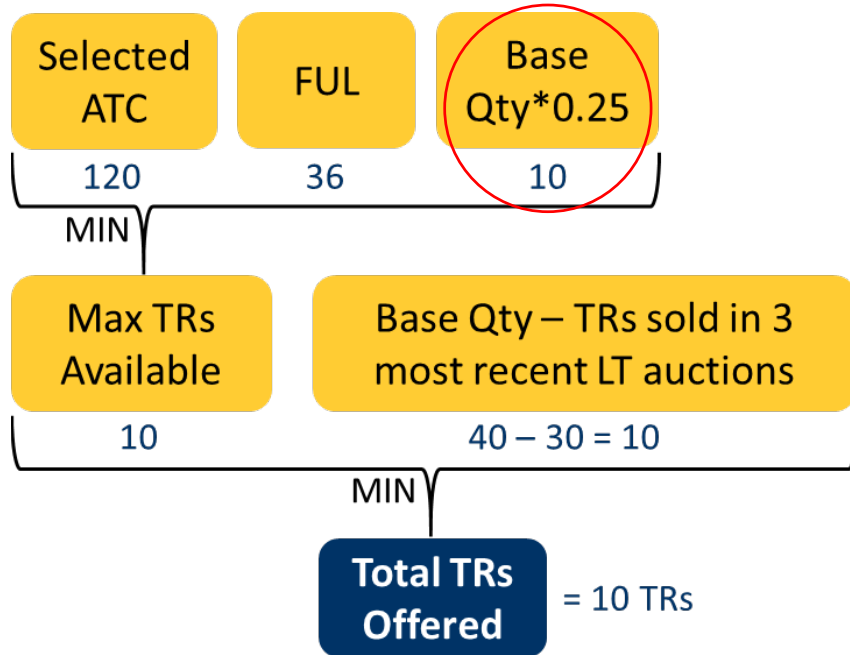


Questions?



Appendix

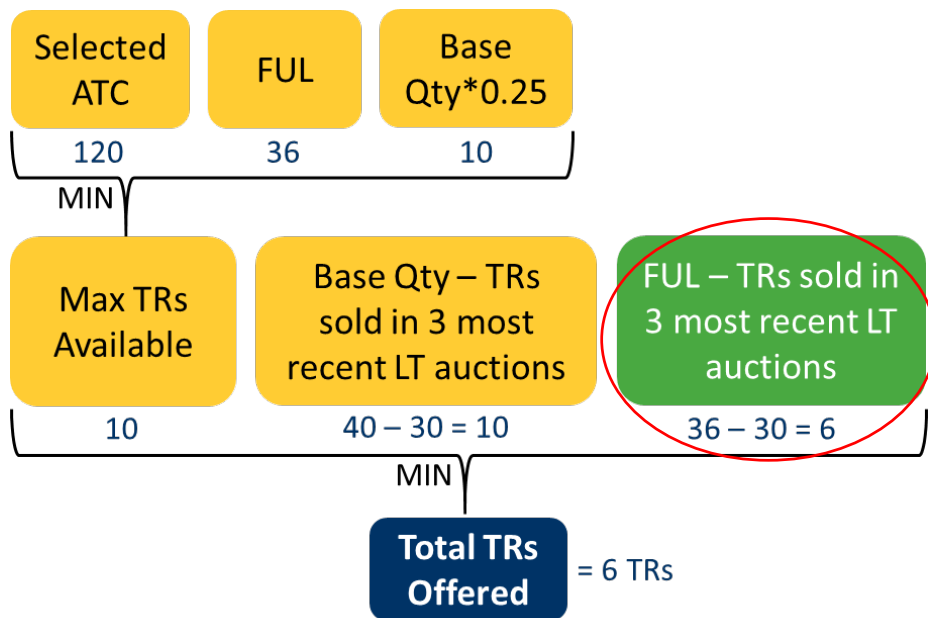
Example: Current Methodology to Determine LT TR Availability



**Refer to Market Manual 4.4 Sections 2.2.1 and 2.2.4

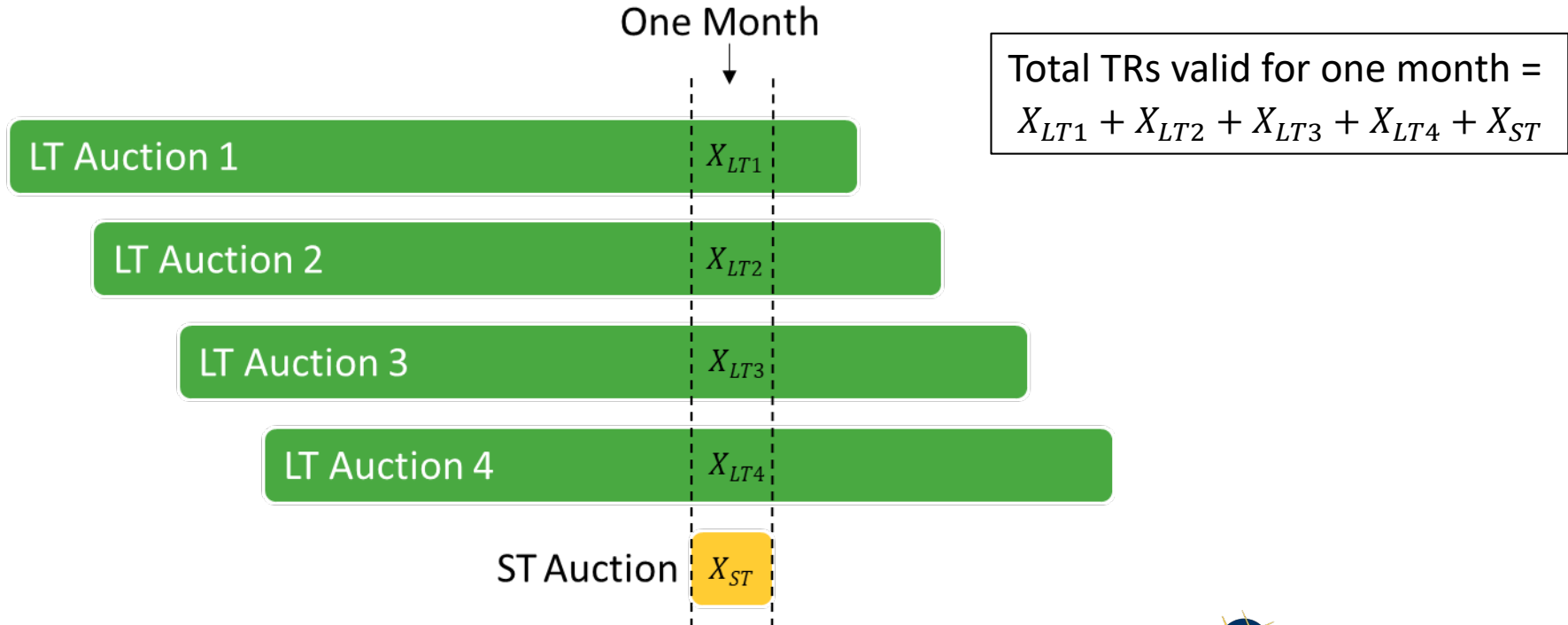
- When FUL is less than Base Qty but greater than $\text{Base Qty} \times 0.25$, the number of TRs available to offer for a given LT auction is determined by $\text{Base Qty} \times 0.25$. In this example, it is 10 TRs.
- Another comparison is done to ensure Base Qty is not exceeded when accounting for the number of TRs already sold**.
- In this example, after four LT auctions, which cover a 3-month overlapping period, the number of TRs sold is 40, exceeding the expected FUL value of 36.

Example: Revised Methodology to Determine LT TR Availability



- The IESO is introducing another check to ensure the FUL is not exceeded when accounting for the number of TRs already sold.
- Therefore, in the example shown only 6 TRs are offered as opposed to 10 from the previous example.
- Over four LT auctions, which cover a 3-month overlapping period, the number of TRs sold is 36 (the FUL value).

Appendix - A Closer Look at the How We Determine Valid TRs for One Month Within Overlapping TR Auctions



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