

# Feedback Form

## Market Rule Improvements and Change to Governance of Approval of Market Parameters – September 16, 2025

### Feedback Provided by:

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Date: Sep 30, 2025

To promote transparency, feedback submitted will be posted on the Post Go-Live True-Ups for the Renewed Market engagement page unless otherwise requested by the sender.

- ☐ **Yes – there is confidential information, do not post**  
☒ **No – comfortable to publish to the IESO web page**

Following the Market Rule Improvements and Change to Governance of Approval of Market Parameters September 16, 2025 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 web page](#).

**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](mailto:engagement@ieso.ca) by September 23, 2025.**

## MR-00489-R00: Change to Governance for Approval of Market Parameters

What feedback do you have on the proposed amendments related to the governance for approval of market parameters?

### General Comments/Feedback

Brookfield Renewable appreciates the opportunity to provide comments.

In the September 16 Webinar, the IESO suggested that the IESO Board does not have the technical capabilities to directly set certain technical parameters used in the calculation engines. These parameters include the maximum market clearing price (MMCP), the maximum operating reserve price (MORP), the penalty functions for the violation of dispatch algorithm constraints (i.e. constraint violation penalties), and Floor prices for energy offers from variable generators and flexible nuclear.

### Summary

We understand that today's Board might not have the technical capabilities required to directly set the four technical parameters. Also, we do not suggest that the Board should acquire the technical capabilities required to set such parameters in accordance with current Market Rules. However, not having the technical capabilities required to set highly technical parameters is not the same as not having the capabilities for oversight and governance to approve technical parameters. Strong and transparent Board oversight and governance processes can ensure that technical parameters are set appropriately. Importantly, appropriate technical parameters are critical to create effective and efficient market signals to help the IESO-administered market (IAM) meet its reliability needs. Moreover, appropriately set technical parameters can ensure contract settlement outcomes that avoid legal disputes. Finally, strong and transparent oversight and governance processes allow meaningful and on-the-record industry input, for market participant to ask questions, make suggestions, and raise red-flags. We do not believe that relying on IESO-led consultation processes, as proposed by the IESO, to be sufficient in meeting the oversight and governance requirements needed to set the critical parameters in questions.

### **The four technical parameters are critical to market signals and contract settlement**

The 2002 Market Rules explicitly assigned the authority to set these market parameters to the Board precisely because of their critical importance. The MMCP, the MORP, constraint violation penalties, the Energy Floor prices act as boundary parameters that help determine demand curves and how generators settle their revenue or get curtailed. Changes made to these parameters, therefore, can have material impacts on market participants' behaviour and revenue models. During the webinar,

the IESO itself acknowledged these parameters' importance. The IESO stated multiple times that they would not change them without industry-wide consultations due to their importance. Many market participants also spoke up during the webinar disagreeing with the IESO's proposal. In short, the 2002 Market Rules' designers, the IESO, and industry all agree that these four parameters are significant and critical to market functioning.

### **Example to demonstrate how these parameters are significant**

Taking the Floor price for energy as an example. The renewed market introduced both the Day-Ahead Market (DAM) and Locational Marginal Pricing (LMP). LMP removed the Ontario-wide single price regime (i.e., HOEP), resulting in areas where negative pricing would be more frequent and more significant. For intermittent and inflexible generation types, there are situations where their facility will inject power when prices are negative, hence resulting in a charge (not revenue) for the market participant. Such situations could result from delays in modifying transactions, forecast error, Safety, Environmental, and Applicable Law events, inability to spill water on time, or other competing environmental and regulatory requirements. In other words, a lower Floor price for energy, set at the discretion of the IESO, can result in significant losses for market participants. This new risk is especially important given that the IESO's enhanced PPA model is a new construct and not fully familiar with industry and the IESO itself, and IESO contracts do not fully protect against negative pricing events. To be clear, Market Rule changes that unfairly harm contract revenue could result in market participants evoking change-of-law protection clauses in courts. Such an outcome would be costly and time-consuming for both market participants and the IESO.

### **The Board not exercising its authority to change these parameters historically does not suggest that their oversight and governance should be weakened**

It was stated that the Board never exercised its authority to reset the four parameters. Therefore, it was suggested that this inaction is evidence that current Market Rules should be changed. As established by the previous paragraph, these four parameters are critical to market signals and contract settlement. In other words, these parameters affect market functioning and commercial outcomes and should not be changed lightly. In fact, Market Rules and Contracts both contain rules and clauses that are not exercised lightly for good reasons. For example, Force Majeure clauses or rules dictating how to shed load during reliability shortfalls, are also rarely exercised. Yet, few would argue that such clauses or rules are unimportant, and therefore should be removed or have their governance weakened. In short, the Board not exercising its authority to change the parameters is not a sound rationale to remove its oversight.

### **The Board's technical capabilities and its oversight and governance capabilities should not be confounded**

It might be true that today's Board is not capable of setting such technical parameters. It might also be true that the Board's role has evolved, and such technical expertise is no longer a requirement for the Board to fulfill its mandate. However, the Board is fully capable of oversight regarding how such

critical parameters might be changed and stakeholdered. The Board is also fully capable of acting as an arbitrator in cases of disputes and disagreements, or to review and hear industry opinions related to these parameters in a public manner. The IAM is an exceptionally complex and technical machinery under the IESO Board's purview: performing the oversight and governance function related to setting these parameters would not be a challenge for the Board.

### **An IESO-only consultation process does not meet industry best-practice regarding oversight and governance**

In many electricity markets, independent and external market monitors directly report to a regulatory body that is separate from the ISO itself. These market monitors are responsible to enforce market rules on market participants and the ISOs alike. This division of authority is true in both Canadian and American ISOs, including jurisdictions intertwined with Ontario's bulk grid. While the Market Surveillance Panel and the Market Assessment and Compliance Division serve similar functions in the IAM, it is unclear how these three entities (i.e., the IESO, the MSP, and the MACD) avoid sharing information, regulate personnel cross-over, and avoid conflicts-of-interest, so that investigations and dispute resolution can be done impartially. We ask that the IESO explain its conflict-of-interest policy with regards to the MSP and MACD to help clarify the matter. Moreover, in the United States of America, FERC adds an additional layer of legal authority to oversee the application and design of standards, including market rules of the ISOs. FERC, importantly, has an enforcement mandate over ISOs. This federal-level function and oversight authority do not exist in Canada.

In addition to the MSP and MACD, the IESO's Technical Panel provides market participants, through their sectorial representatives, an opportunity to publicly record their opinion on Market Rule changes. To do so, the Technical Panel votes on rule-changes and document their voting rationale in a public forum. In other words, the Technical Panel can act as a forum for meaningful and transparent consultations. However, the Technical Panel is an advisory body whose votes only serve to make public recommendations for the IESO and its Board to consider. More critically, the Technical Panel does not have the mandate to review Market Manual changes. As proposed by the IESO, the four technical parameters' values would rest within the Manuals and not the Market Rules. In this scenario, the Technical Panel will only review and public vote on any proposed changes at the IESO's discretion.

The September Webinar's slide 9 indicates that "The IESO Board should maintain its usual oversight and approval function but should not be required to set technical parameters directly." It is unclear where in the proposed process would the Board "maintain its usual oversight and approval function" when the IESO wishes to change the parameters. We ask that the IESO clarify this point.

In short, removing the Board's oversight in setting these technical parameters leaves the IESO as the sole authority to changes them. Whether the IESO conducts a public consultation or not, there will not be an industry represented body such as the Technical Panel, or an independent and external market monitor, or an enforcement body from another level of government, to execute the oversight

and governance function. This proposal by the IESO effectively removes all oversight and governance processes involved in setting these critical parameters. We do not support this proposal.