Feedback Form

Enforcement Modernization – May 22, 2026

Feedback Provided by:

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Organization: APPrO

Email: [redacted]

Date: June 15, 2026

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

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

Following the May 22, 2026 Enforcement Modernization 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 Enforcement Modernization 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 **by June 15, 2026.**

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APPrO
ASSOCIATION OF POWER PRODUCERS OF ONTARIO

Market Assessment & Compliance Division
Independent Electricity System Operator
engagement@ieso.ca

June 15, 2026

Via email

RE: 2026 MACD Enforcement Modernization Consultation

This submission is made by the Association of Power Producers of Ontario (APPrO) in response to a request for comments made by the Market Assessment & Compliance Division of the IESO, in relation to the above-referenced topic.

APPrO appreciates the opportunity to provide such feedback.

Best Regards,

[redacted]

Colin Anderson
President and CEO, APPrO

2026 MACD Enforcement Modernization Consultation
Submission of the Association of Power Producers of Ontario (APPrO)

INTRODUCTION

APPrO represents generators operating in the province of Ontario, and a variety of organizations and individuals concerned with generation. APPrO members include developers, suppliers and consultants to power enterprises, both public and private, with an emphasis on implementing responsible and sustainable energy systems in Canada and around the world.

The Market Assessment & Compliance Division (MACD) of the Independent Electricity System Operator (IESO) is seeking input and perspectives from stakeholders to inform its Enforcement Modernization Consultation. This submission is in response to that request for public comments, as posted on the IESO website.

APPrO's members are committed to a reliable, affordable and sustainable energy supply in the province of Ontario, which is why APPrO has an interest in this matter.

APPrO appreciates the opportunity to provide feedback.

GENERAL COMMENTS

APPrO acknowledges MACD's efforts to introduce design changes to its enforcement regime under the market rules for the purpose of trying to achieve the following three stated objectives: (i) enhancing its efficiency; (ii) improving its effectiveness; and (iii) clarifying its scope and application.

However, in the view of APPrO members, certain of MACD's proposed design changes fail to achieve the stated objectives. In other instances, APPrO

members require further information and detail, as set out below. Finally, APPrO members require MACD to provide all the jurisdictional comparison, benchmarking data and research used to inform its design proposals.

We would also like confirmation that MACD's increase in its revenue requirement as set out in its Application currently before the Ontario Energy Board (EB-2026-0142) is not in any way related to or caused by this enforcement modernization proposal (as indicated verbally by MACD on the May 22 webinar)[1].

DETAILED COMMENTS

Proposal #1: Internal Compliance Program

APPrO does not support this proposal, because it does not achieve the stated objectives of enhancing efficiency, improving effectiveness nor clarifying scope and application.

While APPrO understands the driver for this proposal is to foster fewer breaches of the Market Rules, and a corresponding reduction in enforcement actions and financial penalties, we cannot help but think this proposal oversteps the boundary between a MACD incentive (as currently exists regarding penalty assessments, if a Market Participant has an Internal Compliance Program (ICP)) and micro-management of Market Participants' management decisions.

MACD believes that by mandating ICPs, it aims to help spotlight compliance and provide a greater incentive for organizations to devote sufficient resources to ensure compliance. APPrO believes resourcing decisions are best left with the organization's management, and if MACD wants to increase incentives for ICP

[1] 2025 OEB Approved = $3.7M, Budget amounts for 2026, 2027 and 2028 are $4.5M, $4.8M and $4.9M respectively. See EB-2026-0142, Exhibit D, Tab 1, Schedule 2 page 10 of 15.

design and implementation, then it should also increase the corresponding incentive of reduced penalty assessments.

Unless MACD is prepared to provide template ICPs to Market Participants and/or review and pre-approve proposed ICPs submitted by Market Participants, this design proposal will not achieve the stated objectives of enhancing efficiency nor clarifying scope and application.

Requiring Market Participants to undergo the requisite internal and/or external spend to prepare and implement ICPs, without the comfort of knowing whether such ICPs will in fact meet MACD's expectations in the event of an investigation and/or mitigation against any resulting sanctions, fails to provide clarity to Market Participants, is inefficient, and creates unnecessary costs and burdens on Market Participants – particularly smaller Market Participants or those Market Participants with limited market participation. Moreover, if ICPs do not meet MACD's expectations and/or mitigate against resulting sanctions, the ICPs lack effectiveness.

If Market Participants are ultimately required to have ICPs in place, that requirement should not delay market entry for new participants. As such, the grace period for implementing any ICPs for both new and existing Market Participants should be the same, i.e. 6 to 12 months.

Proposal #2: Removal of Ring-fencing Language

APPrO does not support this proposal because it fails to meet the stated objective of clarifying scope and application. In fact, APPrO believes that more stringent changes in regard to MACD governance should be considered.

Removal of ring-fencing language is not only confusing and creates more lack of clarity for Market Participants, but it also appears to be 180 degrees out of phase

with MACD governance changes that APPrO believes should be considered. The specific reference appears as follows in Market Manual 2.6, 1.3.1:

> *The IESO has assigned responsibility for the enforcement of compliance with the market rules to a separate business unit within the company, the Market Assessment and Compliance Division (MACD). MACD has delegated authority to independently exercise the discretion allowed to the IESO in MR Ch.3 ss.6.2 and 6.6. It enforces compliance against both Market Participants and the IESO, operating in a ring-fenced structure within the IESO with its files and investigative information accessible only to MACD staff members.*

APPrO does not see why this language needs to be removed, since it appears to provide some accountability to help ensure information exchange between MACD and the IESO is in some way controlled. Removal of the language sends the signal that the level of control has in some way been reduced.

Additionally, APPrO questions the current governance structure that exists regarding MACD and its position within the IESO. Notwithstanding MACD's assurance that the head of MACD reports directly to the Markets Committee of the IESO's Board of Directors on a functional basis and directly to the IESO CEO only on an administrative basis, the IESO's latest Application to the OEB for Administration Fees[2] shows a straight-line relationship to the IESO CEO with no reference to an administrative relationship. No mention is made in Exhibit D, Tab 1, Schedule 2 to the IESO Board of Directors.

The current MACD structure – and proposed design proposal – creates an even further lack of clarity of the scope and application of MACD's enforcement

[2] Exhibit D-1-2, Attachment 2, Page 1 of 9

regime and undermines the confidence in MACD's independence by Market Participants generally.

Central to APPrO's concern is the question of how "embedded" MACD is within regularly scheduled meetings and discussions of the IESO Executive Committee on matters dealing with everything from IESO operations to Market Participant behaviours and market anomalies. Such meetings and conversations should not take place in a manner that allows MACD to gather information which can then be used to pursue or support potential compliance actions.

APPrO questions the overall governance structure that permits this type of information exposure and believes that Ontario is quite unique in having an arrangement where the compliance organization has such unfettered exposure to ISO operational discussions.

Most of the U.S. ISOs/RTOs (with the exception of ERCOT) do not have their own compliance and enforcement regimes beyond traffic ticket like offences, and instead refer all other compliance matters to the FERC. Likewise, in Alberta, the Market Surveillance Authority (MSA), like MACD, has the authority to investigate the ISO (AESO) but, unlike MACD, is structurally and geographically situated separate from the ISO.

APPrO believes that, as part of this consultation, consideration should be given to modifying the existing structure to one in which MACD is not included within the IESO executive leadership (other than directly reporting to the Board of Directors) and/or is moved to the Ontario Energy Board as contemplated under the *Ontario Energy Board Act*. MACD continuing to be integrated with the IESO at a leadership level undermines its investigative and enforcement authority over the IESO.

The current practice where MACD operates as each of the proverbial 'judge, jury an executioner' is a breach of procedural fairness and must end. Although MACD purports to have market rules enforcement authority[3] (and that the Ontario Energy Board only has the authority to monitor and report on, among other things, market rule breaches), this is inconsistent with the *Ontario Energy Board Act* which expressly provides for its own independent compliance investigations and enforcement authorities including detailed processes and procedures.

Finally, further clarity should be provided to Market Participants on if and how the market assessment unit (MAU) within MACD is kept separate and independent from the rest of MACD as required under By-Law #2, and the OEB-IESO Protocol relating to the OEB's Market Surveillance Panel (MSP).

Proposal #3: Information Gathering Powers

APPrO requires more information on this proposal.

The wording of this proposal in MACD's discussion paper (April 2026) is vague. APPrO understands MACD's current broad authority, but does not fully understand what incremental authority is being suggested as part of this proposal. APPrO requests additional clarity as to what, exactly, is being proposed here. References to third party obligations, including other or competing Market Participants, and MACD's intent to include former employees and contractors need additional detail and justification.

Proposal #4: Information Sharing

APPrO does not support this proposal because it fails to meet the stated objective of clarifying scope and application.

[3] See, for example, https://www.oeb.ca/sites/default/files/MSP%20Market%20Renewal%20Report%20-%20Aug%2027%202025%201040.pdf.

According to MACD's discussion paper, "[u]nder the current confidentiality provisions of the Market Rules, MACD can be hindered in its ability to share such information for enforcement purposes."[4] MACD is proposing a Market Rule amendment that will enable it to share confidential information for enforcement purposes by creating an exception to the market rules. In the absence of any evidence supporting MACD's alleged need, APPrO disagrees with this.

The market rules were originally crafted to provide safeguards from unnecessary disclosure of confidential information. These safeguards were consciously put in place to protect the rights of Market Participants. MACD is now proposing that those safeguards should be considered subordinate to MACD's perceived need to disclose confidential information in the general case. APPrO is unaware of specific evidence supporting the need for this significant change (and the significant erosion of Market Participant protections). No such market rule should be entertained until such time as a full discussion has taken place on the purported need within the context of MACD's enforcement mandate versus Market Participants' right to confidentiality.

Proposal #5: Investigation Process

APPrO requires more information on this proposal.

APPrO does not disagree with taking opportunies to enhance the efficiency, effectiveness and clarity of MACD's compliance and investigation processes, but these objectives are not met by the proposed design change. Proposed changes cannot come at the expense of existing procedural rights that Market Participants currently enjoy, which appears to be what MACD is proposing.[5]

[4] MACD Enforcement Framework Modernization: Initial Proposals for Stakeholder Consultation (Discussion Paper), April 2026, pp 8, para 1

[5] MACD Enforcement Framework Modernization: Initial Proposals for Stakeholder Consultation (Discussion Paper), April 2026, pp 10, para 1

MACD uses the terms “less complex” and “more complex” in reference to compliance matters without setting out a means by which to establish how one would determine which category a given matter would fall into. MACD’s table of examples on pages 10/11 of its discussion paper is inadequate for this purpose.

Further, this proposal appears to be a proposed “omnibus” rule change, where MACD (in its discussion paper) is citing multiple changes to purportedly improve efficiency, effectiveness and clarity in the absence of any specifics that can be used to evaluate the proposed changes.

With repect to proposed “more complex” matters, market particpants should not be required to forego a meeting earlier in the invsetigation process for a later one. Earlier meetings can help both parties, among other things, narrow the scope of the investigation including related requests for information. This is particularly important in ‘more complex’ matters which may involve a large number of alleged breaches over many years. Taking away the opportunity to meet earlier with MACD therefore runs counter to the stated objective of enhancing efficiency. Market Participants should continue to be entitled to request a meeting following the issuance of a notice of alleged breach (NAB) as well as after the issuance of a notice of non-compliance (NNC), as is the current practice in most instances.

With respect to ‘less complex’ matters, all Market Participants, including those that are the subject of ‘less complex’ investigations and audits, are entitled to procedural fairness including the right to be heard before a final determination is made. They should not be deprived of the right to meet with MACD during the investigation process as proposed.

Further, requiring such Market Participants to forego good faith negotiations and mediation not only fails to observe the basic right to procedural fairness, but

also fails to meet the stated objectives of enhanced efficiency and improved effectiveness. Assuming, for the purpose of this submission only, that 'less complex' matters are defined in part as investigations or audits that result in a financial sanction of up to $200,000, it is inefficient and ineffective to require those Market Participants to spend multiples of that amount pursuing costly arbitration in the first instance.

MACD's proposed approach effectively undermines the principles of fairness and access to justice, intentionally disincenting market particpants – under the threat of a possible higher penalty - from challenging non-compliance findings and sanctions. This approach is inappropriate for a public regulator.

Moreover, creating such barriers to challenging MACD orders in this way does not lend credibility or validity to MACD orders. Rather, it creates a misperception or façade of such validity or authority through what will inevitably be an (intended) decrease in merit-based challenges to MACD orders. This is perpetuated by the fact that summaries of MACD investigation findings and orders are now published on the IESO website irrespective of whether they are challenged by a market particpant under the market rules dispute resolution process (see comments to proposal #7 below).

Proposal #6: Sanctions

APPrO does not support this proposal.

This entire proposal is premature. MACD advances the assertion that "[c]urrently, Ontario is lagging behind its closest comparators in terms of the maximum financial sanction."[6] It does so with no empirical evidence to support

[6] MACD Enforcement Framework Modernization: Initial Proposals for Stakeholder Consultation (Discussion Paper), April 2026, pp 11, para 4

its assertion. At its webinar on May 22, MACD received several requests to provide such information.

No further discussion of this proposal should take place until the requested information has been provided.

Proposal #7: Publication of Enforcement Outputs

APPrO does not support this proposal.

This proposed market rule change was originally raised in November 2023 and was ultimately closed so that it could be included in this larger MACD Enforcement Modernization Consultation. The original consultation extended from November 2023 to October 2025, and the changes proposed as part of that consultation were not popular with Market Participants. Any change to the publication of enforcement outputs continue to require considerable engagement and analysis today.

This design proposal is effectively another way to intentionally disincent Market Participants from challenging financial sactions resulting from MACD investigations and audits, i.e. silencing Market Participants. In almost all cases, MACD is proposing to publish all investigative reports and other related materials.

As MACD is aware, such unilateral publication – where Market Particpants have no opportunity to provide language defending against the publications - raise significant reputational and other related harms for Market Participants. This change occurred as a result of the uinilateral change to Market Manual 2.6 which APPrO members continue to view as inappropriate and inconsistent with the 2018 IESO Governance and Decision-Making Recommendations Report.

MACD's assertion that such actions will advance transparency, deter future non-compliance, and provide Market Participants with meaningful guidance on how the Market Rules are interpreted and applied is absurd. This proposed approach shows complete disregard for existing Market Participant rights and ignores the possibility that MACD may, in fact, be wrong in its allegations.

As alluded to above, the publication of unilateral MACD investigation summaries and related documents does not give rise to a credible or valid enforcement regime; trying and testing such investigation findings and sanctions through the rigour of independent adjudicative reviews and appeals does. Creating regime changes which disincent Market Participants from challenging the merits of MACD investigations and orders in exchange for 'updated' publications is inappropriate for a public regulator. No unilateral publications should be made unless and until the period for all reviews (including the commencement of the market rules dispute resolution process) and/or appeals have been exhausted or otherwise expired.

Proposal #8: Settlements / Dispute Resolution Process

APPrO requires more information on this proposal.

APPrO is concerned by MACD's desire to craft its own dispute resolution process, particularly when one considers some of the other proposed changes being advanced. Moreover, a dispute resolution process already exists under Chapter 3 of the market rules – a process which MACD claims to already have exclusive carriage over (i.e. without the participation of non-MACD members or representatives of the IESO) with respect to disputes involving MACD orders and sanctions.

In addition, some of the proposed elements appear quite extreme, such as a shortening of the period to file a dispute from 2 years to 20 days. The design

proposal also appears to introduce items that are already provided for under Chapter 3 of the market rules.

If there are any changes to the existing dispute resolution process, they need to be carefully discussed, stakeholdered and agreed to. There is a large amount of work to do here before this proposal should be brought to the Technical Panel.

Proposal #9: MACD Service Standards

APPrO requires more information on this proposal.

It is without question that MACD's enforcement actions need to be more timely. Market Participants require more clarity than currently exists and need to be promptly notified if their actions are interpreted as non-compliant by MACD. APPrO would like the opportunity to discuss this item, and the proposed - as well as potentially other – service standards. To be clear, it may be necessary to have more than three service standards for MACD.

Recurring Item: The Overarching Need for Additional Stakeholdering

In many of the proposals above, APPrO requests additional information and discussion. This will take time and MACD's self-developed schedule for concluding this engagement does not provide adequate time for meaningful dialogue. This was highlighted during APPrO's initial discussion with MACD on January 30, 2026, and is being raised again here. In APPrO's view, exclusively serving a rigid schedule will indeed bring the consultation to a close, but it will not do so in a way that allows all views to be heard, understood and respected, and could lead to avoidable and protracted litigation.

All of which is respectfully submitted. APPrO appreciates the opportunity to provide such input, and looks forward to continued discussions.