

Feedback Form

Enabling Resources Program (ERP) - Storage and Co-located Hybrid Integration Project

Phase 1 Settlements Design Module

Meeting Date: August 6, 2026

Feedback Provided by:

Name: Brady Yauch

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Organization: Power Advisory on behalf of ESR Consortium

Email: [REDACTED]

Date: August 20, 2026

Following the **August 6, 2026**, webinar, the Independent Electricity System Operator (IESO) is seeking feedback on the items discussed during the webinar. The presentation and recording can be accessed from the engagement web page.

Please submit feedback to engagement@ieso.ca by August 20, 2026. If you wish to provide confidential feedback, please submit it as a separate document, marked "**Confidential**." Otherwise, to promote transparency, feedback that is not marked "Confidential" will be posted on the engagement webpage.

Power Advisory

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August 20, 2026

Maral Kassabian
Senior Manager, Enabling Resources Program Implementation
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ATTN: Enabling Resource Program Engagement Team

Dear Maral,

Power Advisory has coordinated this submission on behalf of a consortium of energy storage providers under contract with the IESO through multiple procurement initiatives (the “Consortium”). This letter is submitted by the Consortium to outline the key outstanding issues with the Enabling Resource Program (ERP) design as currently proposed by the IESO in its most recent stakeholder session on August 2, 2020.

As noted previously, the Consortium generally supports the direction and objectives of the ERP for storage resource participation in the IESO-Administered Market (IAM). However, the Consortium remains critical of a number of features of the updated design, as detailed in the August 6, 2026 presentation.

1. The Clawback of Make Whole Payments Lacks Detailed Justification

The Consortium has previously submitted that the proposal to clawback MWPs in the Day-Ahead Market (DAM) based on net revenues earned for the entire day will require BESS assets in any given hour to “to forfeit that profitability because it was uneconomically dispatched — and therefore deserving of a MWP — in a different hour.” The Consortium continues to submit that the IESO should refrain from mitigating MWPs when assets are uneconomically dispatched in a given hour due to operating profit earned in other hours. In its August 6th presentation, the IESO stated – and reiterated what was included in the design documents throughout the Market Renewal Program (MRP) – that MWPs are “intended to encourage generators and storage providers to follow dispatch instructions without fearing a financial loss.” The Consortium maintains that the IESO’s updated policy of clawing back profits based on an entire day’s revenues works against the stated intention of the MWPs. The Consortium also believes that as energy markets evolve to incorporate longer duration energy storage – with some pumped storage facilities having a charging and discharging cycle greater than a single day – the current policy will ultimately prove short-sighted and untenable.

The Consortium submits that the IESO’s justification for the change in policy regarding MWPs is lacking. The IESO’s updated presentation justified its MWP clawback position by stating that the policy is intended to “avoid overcompensation and reduce unnecessary uplifts paid by ratepayers.” The IESO has not provided any justification or framework for what it considers “over compensation” and the

¹The members of the Consortium are Alectra Energy Solutions, Atura Power, Compass Energy, Capital Power, Convergent Energy+Power, EDP Renewables, AYP, Brookfield Renewables, Neoen, Northland Power, Boralex, and Potentia.

Consortium submits that efficient dispatch in other hours – and the potential operating profit earned in those hours – is not a case of “over compensation.” Operating profit in a given period that is the result of efficient dispatch should not be considered over compensation. Operating profit earned by “in-merit” resources is one of the pillars of the price-setting in the wholesale market (i.e. that all resources earn the operating profit between their marginal cost and the price-setting unit).

Additionally, while the Dispatch Scheduling Optimizer (DSO) seeks to minimize costs – for the entire day in the case of the DAM – it also includes reliability and other physical constraints that may require energy storage assets to be scheduled uneconomically in some hours and may be unrelated to total system costs. The proposed clawback policy imposes a financial penalty on energy storage providers whenever this may occur. For example, assume that there is a day where a 4-hour energy storage system is dispatched in two hours economically based on its energy offers. Under the IESO’s proposed approach, the DSO could schedule the unit for two hours uneconomically and use the profits in the two “in-merit” hours to offset MWPs in the two other hours and minimize total system costs. The Consortium is unaware of any other resource type facing the risk of this outcome.

IESO also points to a similar policy for other asset types, particularly hydro resources and gas-fired generators (through the Generator Offer Guarantee (GOG) program). Based on the Consortium’s understanding, the clawback of MWPs for hydroelectric resources is largely related to operating within or at the boundary of a forbidden region, which is a constraint provided by the hydro asset itself and represents an operating state that will impose equipment damage. Hydro resources are not scheduled in their forbidden region in the DAM. This is structurally different than a MWP for an uneconomic schedule being clawed back due to offsetting operating profit in other hours. In terms of GOG program, the IESO does not clawback profits from one GOG commitment in a given day when there was a second profitable commitment on the same day. The GOG also incorporates the physical constraints of a gas-fired unit, which requires the DSO to schedule units for a specific number of hours. In this scenario, it makes sense that uneconomic hours in a given commitment are counted against operating profits to determine the GOG payments. Energy storage resources are fully dispatchable and do not impose a similar physical constraint on the DSO.

2. Clawback of MWPs May Increase Total System Costs Due to Changing Offer Behaviour and Other Impacts

The proposed clawback of MWPs may result in offer behaviour that increases total system costs. Energy storage assets may need to account for the impact of a clawback in operating profit throughout the day and include that cost in energy offers across all hours. If this results in a structural change in behaviour it may result in higher total system costs in most hours to mitigate the potential risk of uneconomic dispatch.

The clawback of MWPs as a result of operating profit calculated over the entire DAM period will reduce the incentive for energy storage providers to participate in the DAM efficiently. A reduction in efficient participation from storage providers may result in the IESO procuring other resources in the DAM that may be more expensive – resulting in both over procurement to meet the next day’s forecasted load and higher total system costs.

3. Detailed Analysis Based on Realized Outcomes

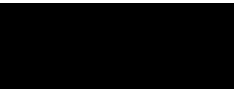
The IESO has not provided any data or analysis based on actual results from the wholesale market on how common or material the issue of “over compensation” has been in the first 14 months of the renewed market. If the issue is minor, the policy’s impact – in the terms of offer behavior or modified participation – may fully offset the problem the IESO is attempting to resolve and increase system costs. If the issue is material, the IESO should provide energy storage providers – and other market participants – with analysis on why the DSO is commonly scheduling energy storage assets uneconomically. As it stands today, there is little-to-no information on the impact that this policy will impose on energy storage resources. While the IESO has provided theoretical examples in its August 6th presentation, a real-life example based on actual settlement would be useful to understand how the clawback mechanism will impact realized settlement. As noted, a high-level analysis on the materiality of the issue the IESO is proposing to address would also be useful. While the focus of this engagement does not include the interaction between wholesale market design and IESO contracts, the impact of changes to market design or settlement will have a knock-on effect for contracted assets, which incorporate wholesale market revenue expectations in their LT2 processes (and other procurement streams). Understanding the impact of the proposed change will be important as the IESO moves forward with future procurements.

4. State of Charge (SoC) proposal

The Consortium continues to believe that the IESO has not clearly defined the issue around the SoC issue and why it is necessary for energy storage resources to submit an initial State of Charge (ISoC). In its response to the Consortium’s feedback that the proposal “carries risks that Consortium members are struggling to resolve”, the IESO responded that it while “introduces some uncertainty, it presents both risks and opportunities for Market Participants (MPs) and MPs can manage this uncertainty through the flexibility provided by their bi-directional offers and dispatch data submissions.” The Consortium continues to struggle with the financial impact of the policy and it appears that the IESO believes it does create financial risk (and opportunity) but has not provided any estimate on the magnitude of the risks or benefits. The Consortium continues to suggest that the IESO provided a detailed analysis of the problem that it is trying to solve and work with the energy storage providers to provide the most efficient solution.

We will be pleased to meet with IESO about this submission at a mutually convenient time.

Sincerely,



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Director, Markets and Regulatory
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cc:

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