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Market Renewal Implementation Independent Review Process for Market Power Mitigation

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Webinar Participation

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Intended Audience

- The new Market Power Mitigation framework is a design feature that will apply to **dispatchable suppliers** of energy and operating reserve. These market participants will be potential users of the Independent Review Process
- Market Power Mitigation is also relevant to **consumers**, who have an interest in safeguarding competitive market prices

Agenda

- Background on reference levels and reference quantities
- Status update on reference level and reference quantity one-on-one consultations
- Independent Review Process
 - Recap of detailed design decisions
 - Approach and rationale for remaining decisions
 - Discussion questions

Background - Market Power Mitigation (MPM)

- MPM is a core element of the IESO's renewed energy market. It is used in all other North American markets that use locational pricing. Market power mitigation safeguards the efficiency and competitiveness of market prices
- Reference levels and reference quantities are benchmarks used to assess market participant behaviour
 - Reference levels: Used to assess economic withholding in the dispatch day and settlement timeframe
 - Reference quantities: Used to assess physical withholding after the fact



Status Update: One-On-One Consultations for Reference Levels and Reference Quantities

Refresher: One-On-One Consultation Process

1. Kick-off Meeting

2. Market Participant Information Gathering

3. Facility Submission

4. IESO Review

5. Preliminary View

Consultation Status Update

Overall Status:  **On Track**

Thermal: 17% of submissions received.

Nuclear: 66% of submissions received.

Hydro: 11% of submissions received.

Wind: Limited consultations begun, 12% of submissions received already.

Solar: Consultations just beginning.

Dispatchable Loads: Consultations just beginning.

Storage: Consultations begin in Q4, 2021.



Independent Review Process

The Story So Far...

- The IESO has been engaging with stakeholders on reference levels and reference quantities since August 2020
- A number of technical sessions were held in October and November to refine the methodology for determining reference levels and quantities for each technology type
- Kicked off one-on-one consultations in February 2021
- Collaboration with stakeholders on this topic has resulted in significant benefits, including multiple updates to the written guide and FAQ document

The Story So Far...(Cont'd)

- In response to stakeholder feedback, the IESO developed an Independent Review Process (IRP) as a new step in the process to determine reference levels and reference quantities. The draft process was shared with stakeholders in December 2020 and was included in the final detailed design
- The IRP will allow a market participant to request a review of values associated with their reference levels and quantities prior to the registration of those values

Recap – Detailed Design Decisions

Application: The IRP will only apply to disagreements regarding the parameters to be registered as part of establishing MP's reference levels and reference quantities.

Reviewer: The IESO will endeavor to establish a roster of qualified consultants to review reference levels and reference quantities. The procurement requirements will have stakeholder review.

Initiation: IRP can be triggered by MP during registration of facility parameters used for MPM, or by the IESO following rejection for cause.

Recap – Detailed Design Decisions (Cont'd)

Outcome: Reviewer recommendation will be binding on IESO, unless rejected by the IESO for cause:

- the reviewer relied on a factual error to make the finding
- the reviewer failed to address an issue set out in the statement of issues to be reviewed relevant to that finding
- the reviewer provided an opinion on something outside the scope of the statement of issues
- adopting the finding would require the *IESO* to register a reference level or reference quantity inconsistent with the *market rules*
- the reviewer failed to provide reasons in the report for the finding

Remaining Design Decisions – Approach and Rationale

The IESO has developed an approach for the three remaining IRP design decisions:

1. Payment - Who pays for the IRP?
2. Process Timing - How long does each step in the IRP take?
3. Consultant Selection - What is the process for selecting a consultant for the IRP?

Discussion Questions (Preview)

Questions to keep in mind as we go through the next few slides...

- What questions do you have on the process?
- What questions do you have on the rationale for the process, or why other options were not selected?
- Do you agree that the process is consistent with the Market Renewal principles? If no, what changes would be required to better align with the principles?

Refresher: Market Renewal Principles

Efficiency

- Lower out-of-market payments and focus on delivering efficient outcomes to reduce system costs

Competition

- Provide open, fair, non-discriminatory competitive opportunities for participants to help meet evolving system needs

Implementability

- Work together with our stakeholders to evolve the market in a feasible and practical manner

Certainty

- Establish stable, enduring market-based mechanisms that send clear, efficient price signals

Transparency

- Accurate, timely, and relevant information is available and accessible to market participants to enable their effective participation in the market

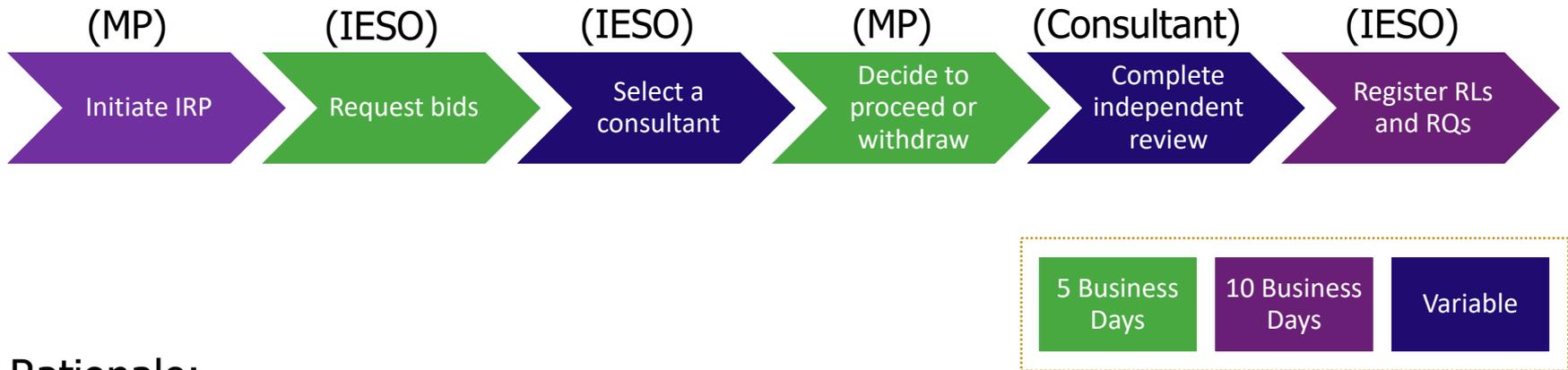
1. Payment – Recommendation & Rationale

The party that initiates the IRP will pay for the review. If the MP requests the IRP, then they pay for it. If the IESO rejects a report from the IRP, then the IESO pays for any further reviews required.

Rationale:

- Avoids incremental fees and increasing system costs
- Aligns incentives associated with use of the IRP with the cost of the IRP
- Enables fairness and effective participation in the market by ensuring that the IRP is equally accessible to market participants

2. Process Timing – Recommendation & Rationale



Rationale:

The steps that are time-limited in the design are kept to short durations to ensure that we complete the IRP in a timely fashion. This approach is consistent with the emphasis that MPs placed on the need for timeliness of the IRP.

2. Process Timing – Recommendation (Detail)

- Market participant has **10 business days** to indicate they will use IRP after receiving IESO preliminary view on reference levels
- IESO has **5 business days** to issue a request for proposals for a requested review once a request is received
- Market participant has **5 business days** to notify the IESO that it wishes to withdraw a review request after being provided a cost estimate
- Within **10 business days** of receiving the review, the IESO will either register reference levels or reference quantities consistent with the findings in the review or reject the review for cause

3. Consultant Selection – Recommendation & Rationale

Step	Description
1	IESO pre-qualifies a list of consultants per technology type
2	IESO carries out procurement from the qualified consultants for a particular technology type to determine which consultant to select for a specific review
3	Market participant is provided the quote and decides whether to move forward
4	If the market participant MP agrees to move forward, the selected consultant is instructed to proceed with the review

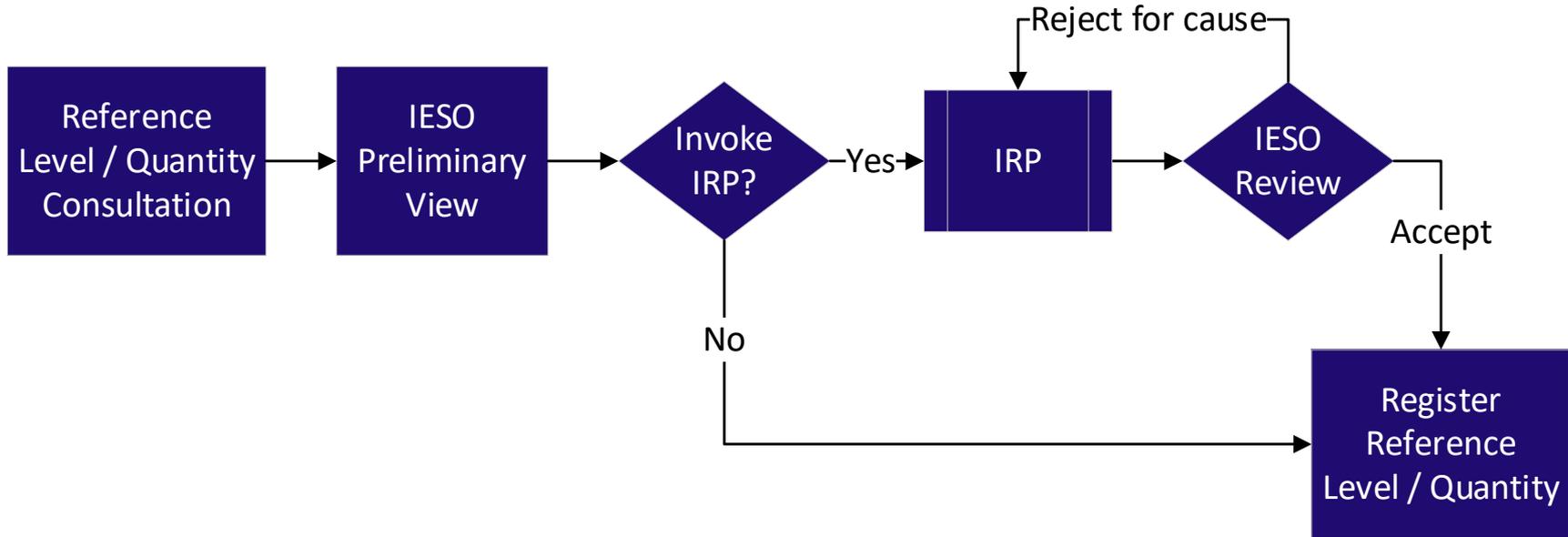
Rationale:

This approach is consistent with the IESO's procurement obligations. It also affords the market participant input on whether the review should proceed.

Discussion Questions

- What questions do you have on the process?
- What questions do you have on the rationale for the process, or why other options were not selected?
- Do you agree that the process is consistent with the Market Renewal principles? If no, what changes would be required to better align with the principles?

Recap - When can the IRP be used?



Next Steps

- IRP details will be included into the relevant MPM Market Rules and Market Manuals
- **September 2021:** Stakeholder engagement on MPM Market Rules and Market Manuals begins

Thank You

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