

Feedback Form

Market Renewal Batch 2: Market Power Mitigation

Feedback Provided by:

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Date: March 1, 2022

Chapter 7 Changes

Draft Market Rule / Section	Feedback
Ex-Ante Mitigation	<p>In the February 15 Technical Panel meeting, the IESO explained that when any PQ pair (“tranche”) of an offer fails the conduct test, the impact test compares the LMP associated with the original offer to the LMP calculated by replacing all offer tranches with the reference levels. If that offer fails the impact test, the engine replaces the entire set of offer prices with the reference level. Panel members asked the IESO to explain why every tranche is replaced, rather than only those that exceeded their corresponding reference level.</p> <p>The IESO subsequently sent out materials highlighting issues with the incremental approach suggested by the TP members. OPG acknowledges these issues, but argues that replacing every tranche with the reference levels could bias the impact test towards failure. For example, if every tranche in an offer was above its reference level, but within the applicable threshold, this offer would not be deemed an attempt at economic withholding. However, in the IESO’s approach, if one of these tranches was outside the threshold, the impact test would compare the offer to the (possibly much lower) reference levels. This could result in very different outcomes if only the tranche that failed the conduct test was replaced during the impact test.</p> <p>As a side note, please illustrate how offer replacement would function for hydroelectric resources whose reference levels are based on a single opportunity cost value, rather than an offer curve with multiple tranches.</p>
Impact Test Timeline	<p>OPG stresses that because the outputs of the impact test can result in financial charges for MPs, it is very important that all MPs understand the detailed process by which the engine produces the simulated reference level LMPs. OPG acknowledges that mathematical formulae describing the calculations are included in the calculation engine appendices, but suggests that illustrative examples highlighting the inputs and outputs of the process should be provided to MPs.</p>

Draft Market Rule / Section	Feedback
22.8 Independent Review Process	<p>Section 22.8.4.1 states that the IESO will provide the independent consultant with a “statement of issues to be reviewed”. The form and content of this statement of issues should be agreed upon between the MP and the IESO prior to submission to the reviewer. MPs cover the cost of the review, and therefore have an interest in ensuring the statement of issues provided to the reviewer does not have excessive scope.</p> <p>The market rules and manuals should detail the process by which the IESO selects an independent reviewer, specifically:</p> <ul style="list-style-type: none"> • how the IESO (and MPs) produces a qualified roster of independent reviewers, • how the IESO issues a request for proposals from the roster, and • how the IESO adjudicates multiple proposals to choose a reviewer. <p>Please explain the expected path of recourse for an MP if no qualified reviewers respond to the request for proposals. OPG acknowledges that MPs can repeat the request after 60 days, but suggests that this path only addresses the case where scheduling conflicts prevented reviewers from responding. If instead, no reviewers responded because none had sufficient technical expertise to review the submission, the 60 day window is of little help.</p> <p>Finally, at the February TP meeting, the IESO commented that two reviewers could plausibly reach different conclusions given the same statement of issues. OPG is concerned that such uncertainty will lead to frequent recourse through the DRP.</p>
22.9 Market Control Entity	<p>The Market Control Entity framework is entirely new to MPs and its use in the physical withholding conduct test can significantly reduce the conduct test thresholds for any MP with multiple resources. Do other jurisdictions impose similar controls for associated participants? Please provide an overview of the IESO’s rationale for the chosen MCE framework and the thresholds identified in 22.15.</p>

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22.15.21 Alternate Reference Quantity	<p>22.15.21 states that the IESO shall calculate an alternate reference quantity if “the IESO determines” that the reference quantity in force at the time of the instance of physical withholding was incorrect. OPG suggests the rule as written does not provide sufficient guarantee that an MP’s request submitted pursuant to 22.15.20 will be thoroughly and fairly considered by the IESO. The rules should include language that obligates the IESO to review the request and prove that the basis of the IESO’s opinion is sound.</p> <p>OPG also notes that the process for requesting an alternate reference quantity is not subject to the independent review process, meaning MPs who disagree with the IESO’s findings will need to find recourse in the Dispute Resolution Process. Please clarify why the alternate reference quantity process is not eligible for adjudication through the IRP. Further, to facilitate an efficient DRP, the rules should clearly outline the limited reasons the IESO may cite in its refusal of a request for alternate reference quantity (a listing of these reasons could take the same form as in 22.8.6, though the content would need to be updated).</p>
Mitigation of Non-Quick Start Resources	<p>OPG appreciates the IESO’s presentation of example scenarios at the TP, and feels they highlighted important details. As a follow up, OPG requests a detailed example regarding mitigation of make whole payments for Non-Quick Start resources.</p> <p>An illustration of the following example would be helpful in understanding mechanics of mitigation for NQS resources:</p> <p>Resource A is located in a BCA in the DAM. Resource A is scheduled by the DAM for its MGBRT hours. In pre-dispatch (after the resource has been committed but before it has reached MLP), the BCA becomes an NCA.</p> <p>Please identify which offers (energy, SUC and SNL) and hours will be assessed under the BCA constrained area threshold and which under the NCA thresholds. Assuming the resource is eligible to receive a make whole payment but fails the impact test for one or more hours in pre-dispatch, please describe the process of settlement statement/mitigation measures/penalties/guarantee payments.</p>