

FEBRUARY 2024

Market Renewal Program Impact on Non-Utility Generator (NUG) Contracts (Overview and Update)

Presented to: NUG contract counterparties
Presented by: IESO's Contract Management Team

Disclaimer

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Purpose

1. To provide an overview of the impacts of MRP on NUG contracts.
2. To present proposed changes to the MRP contract amendment term sheet based on the feedback received.

Note: This presentation is only applicable NUG contracts entered into by the IESO on or before December 31, 2014

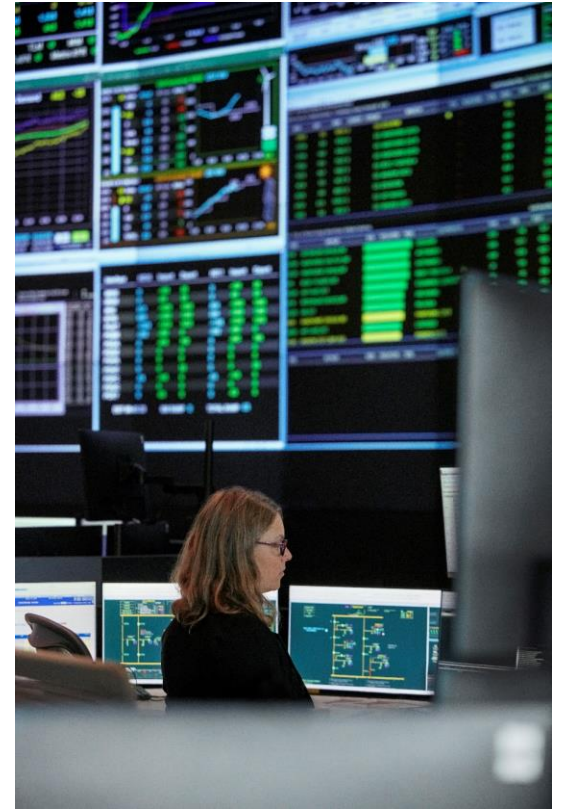
Agenda

Through this presentation the IESO plans to discuss:

- MRP Background
- IESO's Approach to Amending Contracts for MRP
- Impact of MRP on NUG Contracts
- Summary of feedback received on NUG Term Sheet
- Proposed Term Sheet updates
- Next Steps

MRP Background

- MRP is on schedule to 'go live' in May 2025 with a new design of Ontario's wholesale electricity market.
- Provisionally approved amendments to the [Market Rules and Market Manuals](#) were published throughout 2023.
- MRP implementation resources such as training modules, webinar recordings, design documentation and implementation plans are available on the MRP webpage.
- Any questions related to MRP in general can be directed to customer.relations@ieso.ca



IESO's Approach to Amending Contracts for MRP

Principles



1. Contractual implications are addressed in a manner consistent with the terms of the applicable contracts to maximize consistency, administrative simplicity, and transparency by treating similar contracts in a similar manner.
2. Contract incentives should be aligned with market incentives to not impede efficient market operations and to benefit all parties.
3. Ensure timely contract amendments ahead of the MRP implementation date.

Supplier Engagement

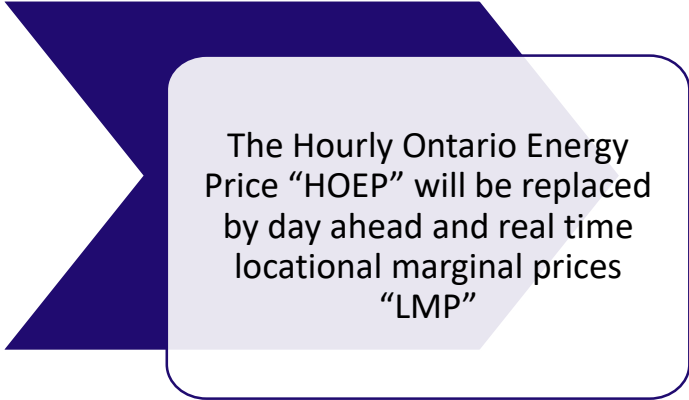


The IESO's Contract Management team is engaging Suppliers in parallel with the MRP engagement to focus specifically on contractual implications. The IESO is proposing solutions to achieve the principle considerations for amending contracts and expects Suppliers to familiarize themselves with MRP in order to provide feedback.


In addition to written feedback and webinars, the IESO is open to smaller group meetings or individual meetings to collaboratively work through the process of finalizing amending agreements.

Impact of MRP on Market Participant Contracts

- Based on the changes introduced by MRP, the IESO has identified impacts on NUG facilities that need to be addressed in IESO contracts with Market Participants, including:



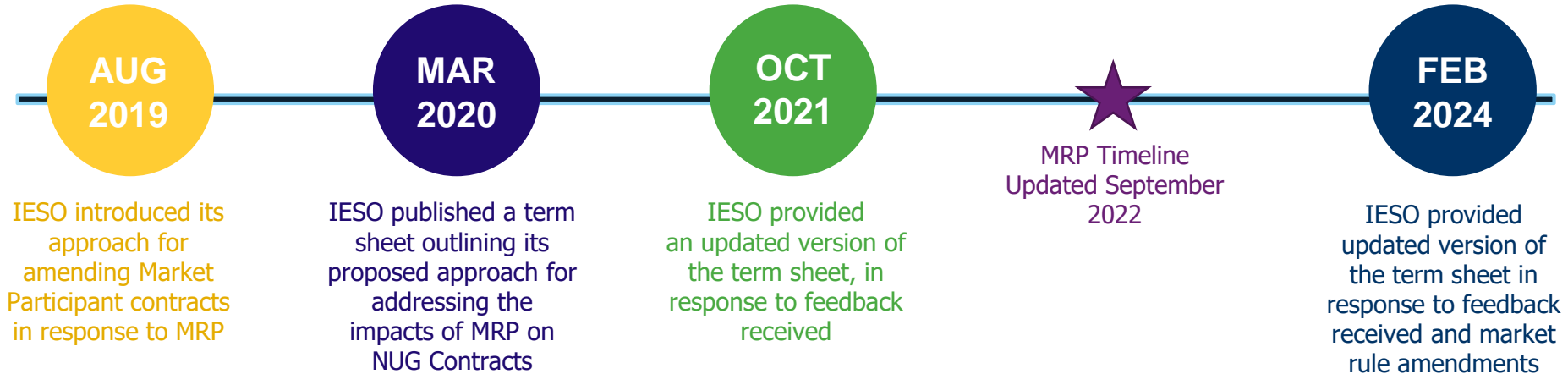
The Hourly Ontario Energy Price “HOEP” will be replaced by day ahead and real time locational marginal prices “LMP”



A financially binding day-ahead-market “DAM” will be introduced to provide greater operational and financial certainty in the market

Summary of Engagement to Date

- Resources related to IESO's engagement with Market Participants on their contracts can be found on IESO's website including draft term sheets, feedback & responses, as well as webinar presentations



Recap: Term Sheet Updates From Oct 2021

- Introduce a new defined term for “Applicable Day-Ahead Locational Marginal Price” or “ADALMP”
- Replace:
 - “day-ahead commitment process” with “DAM”
 - “DACP Must-Offer Obligations” with “DAM Must-Offer Obligations”
 - “HOEP” with “ADALMP”.



Summary of October 2021 Term Sheet & Feedback

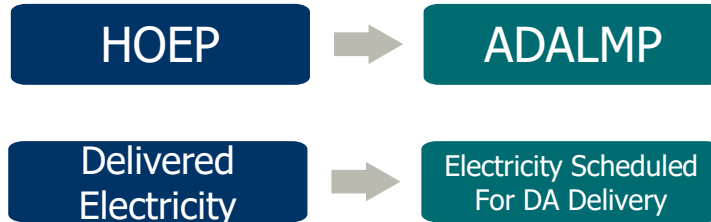
- October 2021 Term Sheet Approach:
 - The Must-Offer Obligations and Reference Capacity Factor were determined based on the DAM while the Facility Capacity Factor was based on actual Delivered Electricity in the real-time market (Exhibit G)
 - The determination of Sharing Hours and Shared Revenue was based on a combination of DAM and real-time market outcomes (Exhibit J)
- The IESO received feedback on the following:
 - Concerns with meeting the Minimum Capacity Factor obligation with a potential disconnect between the DAM outcome and real-time market outcome (Exhibit G)
 - Concerns with the potential disconnect in between actual market revenues and the calculation of Shared Revenue in Sharing Hours that include both DAM and real-time market outcomes (Exhibit J)

Proposed Term Sheet Updates in Response to Feedback Received

- By changing Delivered Electricity to Electricity Scheduled for DA Delivery in Exhibit G, the determination of Minimum Capacity Factor moves entirely to the DAM and the potential disconnect with the obligation to offer into the DAM is addressed
- By changing the determination of Sharing Hours and Shared Revenue in Exhibit J to Electricity Scheduled for DA Delivery, the determination of Shared Revenue moves entirely to the DAM and better ties to actual market revenues achieved in the DAM

Updated Terms – February 2024 Term Sheet

In the updated term sheet, the IESO has created a new defined term for "Electricity Scheduled for DA Delivery" and included updated definitions for "ADALMP" and "DAM"



Amendment (Day-Ahead Market)	
ADALMP	Applicable Day-Ahead Locational Marginal Price - DAM locational marginal price for energy (in \$/MWh) at the delivery point that corresponds to the Facility's Connection Point
DAM	The IESO-Administered Market known as the "Day-Ahead Market"
Electricity Scheduled For DA Delivery	Quantity of Electricity (in MWh) scheduled in the DAM for injection by the Supplier at the delivery point that corresponds to the Facility's Connection Point

Next Steps

- The IESO invites further feedback on the updated draft term sheets to be submitted to mr.contractmanagement@ieso.ca by March 15, 2024
- The IESO will post responses to feedback received and determine appropriate next steps to engage Suppliers in further discussion.

Thank You

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