



AUGUST 18, 2021

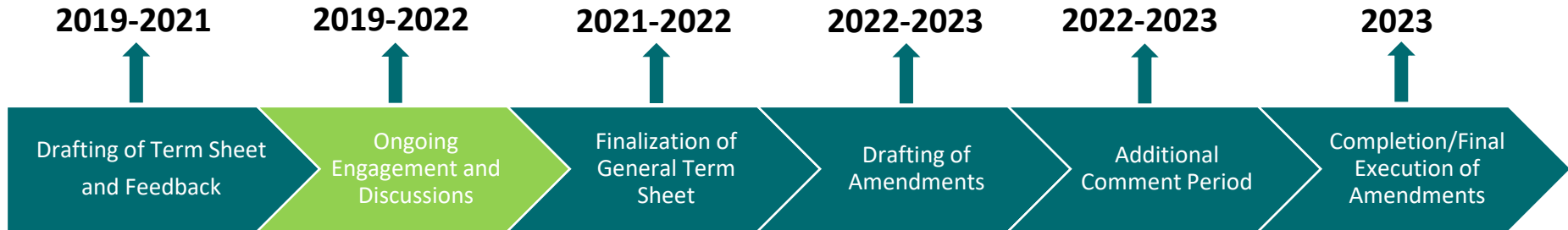
Market Renewal Program

Contract Management Update for CES Generators Draft Term Sheet

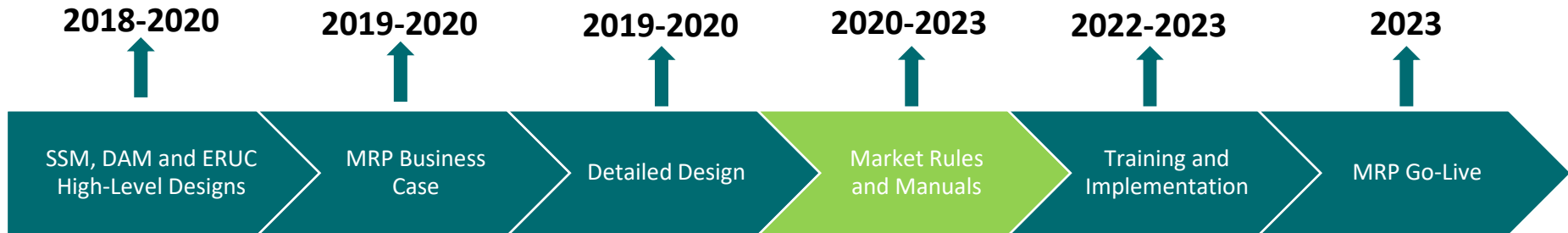
Introduction

- As the MRP progresses with market rule drafting and approvals, continued engagement between IESO and contracted generators should allow for more efficient contractual amendments prior to MRP go-live
- Proposed draft term sheet was provided to all CES market participant generators in 2019 based on high level design at the time
- The detailed design is complete and market rule drafting is in progress, both of which do not appear to impact the principles of the term sheet as drafted
- IESO believes that the term sheet consistently applies the language in the contracts contemplating the transition to a DAM and SSM
- Feedback on the initial term sheet was fairly high level and IESO is looking to engage on any specific issues in order to arrive at a consensus on the term sheet and proceed to amendment drafting

Contract Management Timeline



MRP Timeline



Draft Term Sheet – Proposed Amendments

- Amendments focus primarily on two main categories:
 1. Addition/removal of applicable definitions
 - “Applicable Day-Ahead Hourly Locational Marginal Price” (ADAHLMP) means, with respect to any hour, the locational marginal price applicable to the Facility’s Connection Point in the day-ahead IESO-Administered Market for electricity for that hour
 2. Replacement of references to HOEP with ADAHLMP within Exhibit J
 - Section 3.1 – Deemed Start-Up and Shut-Down Hours
 - Section 3.2 – Calculation of Imputed Gross Energy Market Revenue
 - Section 3.3.4 – Calculation of Negative Interval Net Revenue Recapture

Term Sheet Feedback to Date

- The initial iteration of the term sheet was provided to CES generators on September 30, 2019
- The feedback trend has been similar both before the term sheets and subsequently thereafter
- The feedback received was high level expressing general concerns:
 1. Potential added risk/lost revenue and term sheet does not ensure supplier's economics
 2. Term sheet is overly simplistic/mechanical and does not address complexity/uncertainty
 3. Questions of why three-part offers, "variable energy costs", and market power mitigation is not addressed in the term sheet

IESO's Response to the Feedback

- The IESO has the view that a principled approach has been taken in the term sheet that fulfills requirements of sections 1.7 and 1.8 of the applicable contract
- The proposed amendments are also consistent with the three main considerations outlined in the [IESO's Approach to Amending Market Participant Contracts in response to the MRP](#)
 1. Treat similar contracts in a similar manner
 2. Contract incentives should be aligned with market incentives
 3. Timely resolution of amendments

Term Sheet Consensus

- IESO would like to reach consensus on the term sheet, to allow for supplier specific amendments to be drafted and finalized for execution
- If the term sheet is not acceptable, then the IESO is asking for specific reasons per the terms of the contract, including any of the following:
 - Details of why proposed amendments do not conform with the contract
 - Specific amendments that were not addressed in the term sheet
 - Examples or scenarios to explain any issues with the proposed amendments
- IESO is always open to other proposals that could provide tangible value to ratepayers, but it is not one of the objectives to address MRP changes

Next Steps

- Additional comment period in order to reach consensus:
 - To the extent that any Supplier believes that the term sheet does not reflect the contract provisions, IESO would like to receive specific feedback or proposed changes to the term sheet
 - If no specific feedback is received, IESO will assume that there is a general agreement on the path forward
- IESO is available to meet on an individual basis and share combined feedback anonymously
- Feedback is requested by: September 24, 2021
- Feedback can be sent to: mr.ContractManagement@ieso.ca

Thank You

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