

# Memorandum



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**To:** The Markets Committee

**Presenter:** Michael Lyle, Vice President, Legal Resources and Corporate Governance and  
Chair, IESO Technical Panel

**Date:** October 17, 2024

**Re:** MRP Market Rule Amendments – Approval of Final Alignment Batch (MR-00481-R00-R13)

**Purpose of Item:** Recommendation for Approval to the Board

## **Executive Summary:**

The IESO is seeking approval from the IESO Board on proposed market rule amendments to implement the Market Renewal Program (MRP).

At the September 10, 2024 Technical Panel meeting, the Technical Panel voted unanimously in favour of recommending the amendment proposals to the IESO Board. The Technical Panel's vote to recommend concludes four years of extensive discussions with the Technical Panel over more than 30 meetings.

## **Significant Issues, Risks and Opportunities:**

The most significant feedback received on the Final Alignment Batch, and primary subject of discussion with the Technical Panel, related to market power mitigation (MPM) and the concern of some supplier representatives that the MPM framework could potentially impact supply resources in ways that are unintended, and which have not, or cannot be anticipated prior to it being

operationalized. Concerns were also expressed with respect to the sufficiency of avenues for supplier recourse in the event MPM does create such unintended impacts.

In response to these concerns, the IESO held five additional sessions on MPM with the Panel. The IESO reiterated the importance of implementing an enhanced MPM framework in the renewed market given the shift to Locational Marginal Pricing and the risk that shift creates of exposing consumers to unreasonably high prices where local supply is restricted. The IESO also recapped the various mitigation processes associated with the MPM framework, existing and new recourse mechanisms, and then sought additional input from the Panel to better understand Panel member concerns relating to potential unintended outcomes and the sufficiency of recourse mechanisms. The IESO and Panel members had concerted discussions with respect to actions that could be taken to help identify and address potential unintended outcomes of the implementation of the MPM framework. In addition to market participants' ability to leverage the existing recourse options, the IESO committed to take the following actions to the satisfaction of stakeholder and Panel member concerns:

1- Further delay designation of constrained areas as follows:

- Collect five months of data from the renewed market prior to conducting the analysis to establish potential and narrow constrained areas (PCA's and NCA's respectively);
- Delay application of the first dynamic constrained areas (DCAs) until 30 days after the PCA analysis is completed;
- IESO to provide a preliminary view of potential PCAs and NCA designations based on the first 90 days of data after go live;
- IESO will, on an ongoing basis, publish to the IESO website the PCAs that will be used during the designation period.

2- Enhance testing of the MPM framework during the End-to-End test phase;

3- Apply discretion to not issue ex-post mitigation assessments if warranted; and

4- Establish an MPM working group, the objective of which will be to assist in identifying unintended outcomes of the MPM framework and recommending means to address such unintended outcomes, and codifying this obligation in the market rules.

Lastly, Technical Panel members and stakeholders continue to assert the importance of arriving at an acceptable resolution on gas generator contracts.

### **Background:**

The Final Alignment batch is a restatement of the market rule amendment proposals from the six previous provisionally approved batches, and it comprises the entire set of MRP market rule amendments required to implement MRP. The IESO created a provisional recommendation and approval process to enable stakeholders, Technical Panel, and IESO Board members to review the market rules for MRP, first with a focus on discrete batches and then in their entirety, before making a final Technical Panel recommendation for Board approval. As such, this Final Alignment batch consists primarily of previously reviewed and provisionally approved material.

The contents of the Final Alignment batch have been further supplemented to include:

1. Updates to earlier batches resulting from the ongoing implementation and engagement processes;
2. Transitional market rules required to facilitate the mechanics of transitioning from the current market to the renewed market; and
3. Administrative “conforming changes” made to improve alignment between the various impacted chapters (e.g. updates to internal references and defined terms).

### **Proposal and Analysis**

Nine sets of written submissions were received following the Technical Panel vote to post on the market rule amendments for the Final Alignment batch. A total of 219 comments resulted from the written submissions from the Association of Power Producers of Ontario (APPrO), Atura Power, Evolugen, Lukas Deeg (generator representative), Michale Pohlod (demand response representative), Ontario Power Generation (OPG), Power Advisory, Workbench Energy, and Vlad Urukov (generator representative).

The majority of comments were requests for clarification (153), followed by editorial (43), modification of a market rule (10), and modification of a market manual (13). No significant concerns on the Final Alignment market rules language were received.

Concerns raised on MPM related to unintended outcomes and results on suppliers, and sufficiency of recourse mechanisms were the main substantive comments as noted and addressed above.

**Next Steps / Implementation:**

I recommend that the Board accept the unanimous vote and recommendation of the Technical Panel to approve market rule amendments MR-00481-R00-R13: Market Renewal Program – Final Alignment.

**Requested Committee Resolution:**

The Committee is asked to pass the following resolution:

**BE IT RESOLVED THAT** the Markets Committee recommends that the Board of Directors approve the following resolution:

*[Recommended Board Resolution Begins.]*

**CONCERNING** MR-00481-R00-R13: Market Renewal Program: Final Alignment, which are market rule amendments to implement the Market Renewal Program:

- a) **WHEREAS** these proposals, as part of the broader Market Renewal Program, are intended to increase the efficiency of Ontario’s electricity markets and reduce system costs paid by consumers;
- b) **WHEREAS** the IESO engaged with the Technical Panel and the broader stakeholder community, and has revised these proposals based on feedback received; and
- c) **WHEREAS** the Technical Panel voted unanimously to recommend MR-00481-R00-R13 for approval by the IESO Board;

**BE IT RESOLVED THAT** on the recommendation of the Markets Committee, the IESO Board of Directors accepts the recommendation from the Technical Panel and approves MR-00481-R00-R13: Market Renewal Program: Final Alignment to come into effect on November 11, 2024.

Michael Lyle

Cc: IESO Records

Encls.

- a. Presentation
- b. Appendix A – Market Renewal Program: Summary of Market Rule Amendment Batches
- c. Market Rule Amendment Proposal forms
  - MR-00481-R00: Final Alignment – Definitions
  - MR-00481-R01: Final Alignment – Introduction and Interpretation
  - MR-00481-R02: Final Alignment – Participation
  - MR-00481-R03: Final Alignment – Administration, Supervision, Enforcement
  - MR-00481-R04: Final Alignment – Grid Connection Requirements
  - MR-00481-R05: Final Alignment – Power System Reliability
  - MR-00481-R06: Final Alignment – Wholesale Metering
  - MR-00481-R07: Final Alignment – System Operations and Physical Markets
  - MR-00481-R08: Final Alignment – Chapter 0.7 Appendices
  - MR-00481-R09: Final Alignment – Physical Bilateral Contracts and Financial Markets
  - MR-00481-R10: Final Alignment – Settlements and Billing
  - MR-00481-R11: Final Alignment – Chapter 0.9 Appendices
  - MR-00481-R12: Final Alignment – Transmission Service and Planning
  - MR-00481-R13: Final Alignment – Chapter 9 Notice of Disagreement Timelines
- d. Technical Panel Materials
  - i. Link to [Memo to Technical Panel from IESO staff, dated September 3, 2024](#)
  - ii. TP member Rationale, dated September 16, 2024
- e. Summary of Stakeholder and Technical Panel Comments
- f. Consumer Impact Assessment
- g. Draft Board Resolution