

# Member Vote and Rationale – Market Renewal Program: Final Alignment Batch

## IESO Technical Panel, September 10, 2024

The vote to recommend the proposed market rule amendments (MR-00481-R00-R13) for consideration to the IESO Board of Directors passed unanimously at the September 10, 2024, Technical Panel meeting.

### MR-00481-R00-R13 – Market Renewal Program: Final Alignment

TP Member	Vote and/or Rationale
Michael Pohlod (Demand Response)	For
Indra Maharjan (Consumer)	For
Forrest Pengra (Residential Consumer)	For Throughout the entirety of the process of MRP and more specifically MPM, I have listened along carefully to both the IESO and fellow Technical Panel members. From the residential consumers perspective, it's critical to understand regulation and industry, as they intertwine with real-world consequences and impacts on all consumers in the province. Balancing the economics of both affordability and attractiveness to industry will remain the most difficult part of the new market. I feel throughout the entirety of the process, both sides worked well together to voice concerns and find

opportunities. Where opportunities coexist with enhanced economic protection mechanisms, the consumer benefits. I felt confident in my yes vote prior to being asked the question, and even more so after the unanimous response.

Lukas Deeg (Generator)

For

- i) The IESO has been seeking feedback from market participants on MRP market rule batches since 2021;
- ii) The amendments within the Final Alignment Batch are generally in line with the approved MRP detailed design document;
- iii) To help address market participant concerns related to market power mitigation, the IESO committed in their August 15<sup>th</sup> presentation and subsequent discussions to:
  - a. enhance end-to-end user testing;
  - b. effectively delay the designation of constrained areas to a minimum of six months after MRP Go Live;
  - c. provide preliminary data on potential constrained areas and narrow constrained areas based on the first ninety days after MRP Go Live;
  - d. use extra discretion when assessing ex-post mitigation for physical withholding to avoid unintended consequences under specific circumstances; and
  - e. establish the Market Power Mitigation Working Group prior to MRP Go Live;
- iv) The IESO remains open to further amendments to the market rules if issues or challenges are identified through testing or by market participants; and
- v) The IESO has committed to continue to work with:
  - a. the Technical Panel to establish the terms of reference of the Market Power Mitigation Working Group;
  - b. the Technical Panel and stakeholders to ensure knowledgeable representatives from a cross section

of market participants are effectively represented on the Market Power Mitigation Working Group;

- c. market participants who wish to register their facilities as a pseudo unit to address potential dispatch compliance concerns ahead of MRP Go-Live; and
- d. the market participant who has a non-quick start unit that is not GOG eligible to ensure the amended provisions introduced in the Final Alignment Batch addresses their unique circumstance.

Implementation remains an outstanding concern for market participants and several critical components related to market renewal remain outstanding. The contracts between the IESO and generators still require amendments and agreement between parties to reflect the market changes brought on by MRP. Reference level discussions between the IESO and generators are ongoing, and system testing is set to conclude next year. MRP requires these items to uniformly work together if the transition and framework will be successful, and generators will not fully know the implications of the transition to the new market until these are resolved. These items are outside the Technical Panel’s terms of reference. However, I would encourage the IESO to continue to work with market participants to resolve these items quickly.

Jason Chee-Aloy

For

(Renewable Generators)

- 1. conclusion of establishing Reference Levels with Market Participants for inclusion within IESO's application of Market Power Mitigation (MPM);
- 2. determination of Terms of Reference for the MPM Working Group, including knowledgeable sectoral membership within the Working Group;
- 3. outcomes regarding addressing concerns and solutions relating to hydroelectric generators, as documented between the Ontario Waterpower Association (OWA) and IESO; and
- 4. conclusion of amendments to contracts held between Suppliers (e.g., wholesale market participant generators) and IESO, contractually triggered by MRP

amendments to the Market Rules. (In future, I recommend that IESO work with stakeholders to review how the role of the TP may need to change to consider explicit linkages between IESO procurement contracts and Market Rules – as no such stakeholder forum exists today to assess linkages to Market Rules and contracts administered by IESO. This is prudent because the scope of the TP was founded decades ago at a time when contracts were not used by IESO as the main mechanism to ensure resource adequacy. Rationale for this recommendation is supported by this point - if the Incremental Capacity Auction (ICA) (i.e., a Forward Capacity Market) was not discarded and continued within MRP scope (resulting in IESO not using contracts as the main mechanism to ensure resource adequacy), then the TP would have had to opine on ICA related amendments to the Market Rules and would have had to consider factors relating to electricity infrastructure investment regarding new and operating assets (e.g., generators, storage, etc.)

Vlad Urukov  
(Generator)

For

As guided by the Technical Panel Terms of Reference, a Technical Panel vote on any Market Rule amendment, including the Market Renewal Program (MRP), is ultimately a contemplation on whether the proposed Market Rule language meets the intent of the proposed change. In the case of the MRP Final Alignment vote, the proposed changes span the entire 11 Chapters of the Market Rules as well as Market Manuals. The intent of MRP is multi-faceted and complex, covering the operation and settlement of both the Energy and Reserve markets.

An additional challenge is the introduction of the Market Power Mitigation (MPM) framework, which is a layered, three-part framework that relies on the designation of constrained areas and independently set reference levels. This framework does not have an equivalent structure in the existing market. In recognition of these challenges, my vote on the alignment package of all previously voted sections relies on my review as well as the extensive stakeholder engagement over the last

TP Member	Vote and/or Rationale
	<p>eight years and the PwC MRP DAM Engine Pre-Implementation Review and MRP PD &amp; RT Engine Review.</p> <p>My vote in support of advancing to the next stages of MRP is also based on the expectation that the IESO will collaborate with participants on establishing an effective MPM Working Group, finalizing MPM reference levels, enhancing end-to-end testing, delaying the deployment of NCAs and DCAs, and exercising discretion in ex-post mitigation. Additionally, I recommend that the IESO continue to enhance the MRP Market Rules in response to future stakeholder feedback and testing outcomes.</p>
<p>Robert Reinmuller (Transmitters)</p>	<p>For</p> <p>While there were many challenges over the past few years, I wanted to thank IESO for listening to the engagement community and allowing teams to focus on closing specific gaps. With clear progress made last two years, there is still anxiety in the industry and providing an opportunity to work out the finite details of transactions, enabling a mechanism to evaluate recourse options, manage unintended consequences in an open and transparent way, allowed me to support the approval. With the MPM Working Group evaluating the refinements that are still required pre and post implementation, I have confidence that any remaining gaps can be dealt with as we transition to the new process.</p>
<p>Rob Coulbeck (Retailers or Wholesalers)</p>	<p>For</p> <p>To start I would like to compliment the IESO and the entire Technical Panel on the work everyone has done, and the compromises made in achieving the outcome of unanimous approval in the vote to recommend. In representing the trading community my vote to recommend came with minimal items of concern. There are issues around Predispatch and Real-time congestion allocation on the interties that were debated and ultimately the IESO rejected the comments of the trading community. While we are still of the opinion the decision on intertie congestion may result in reduced intertie</p>

transactions, this is not an item to without support of the entire Market Renewal package. I do have serious concerns though on Market Power Mitigation and its impact on creating an efficient market outcome. The components that are used to initiate and evaluate if a resource(s) may have or is considered to have market power are administrative values that have not been properly vetted and in my opinion are without valid justification. The values in question are:

- BCACondThresh \$25
- IBPThresh \$100
- ORGCondThresh \$15
- CTEnthresh2BCA \$100
- CTEnthresh2GM \$100
- CTORThresh2ORL \$25
- CTEnthresh2ORL \$25
- CTORThresh2ORG \$25
- CTEnthresh2ORG \$25
- CTEnthresh2MinOffer \$25
- CTORMinOffer \$5
- ITThresh2NCA \$25
- ITThresh2DCA \$25
- ITThresh2BCA \$50
- ITThresh2GMP \$50
- ITThresh2ORG \$25

The addition of a Market Power Mitigation Working Group along with delaying the application of the Dynamic and Narrow Constrained Areas will permit evaluation of the effectiveness of the parameter for those calculations but the application of market power for Global market power and Broad Constrained Areas are to be live at implementation of MRP. While it is unlikely that Global market power for energy will bind initially, that is not the case when it comes to operating reserve. Assuming MRP goes live May 1, 2025, this will be in the height of freshet with an abundance of

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hydroelectric generation and historically limited operating reserve available. Based on my work, historically as a market participant managing a variety of resources over 22 years and analysis of MRP, the Global operating reserve threshold limit of \$15 will trigger the conduct and impact test frequently in the first 2 months of MRP. Another item that will play a major role in the application of the operating reserve Global market power is the Operating Reserve Demand Curves for each class. The market rules state each operating reserve class's demand curve will be calculated based on the 99th percentile of historic prices. The IESO has indicated these values will not be available until 4th quarter of this year. It is impossible to fully appreciate the impact of the administrative threshold values until the operating reserve demand curve values are known. Additionally, it appears that negotiations between the IESO and market participants on the reference values have been frustrating for participants with the threat a resource may ultimately end up with the default values of \$0.00 for price reference and full registered values for non-price related reference values. In conclusion, I fully support moving forward with Market Renewal with market power mitigation, but I believe there needs to be a thorough review of the threshold values for the conduct and impact tests.

Jennifer Jayapalan  
(Energy Storage)

For

While I commend the effort by the IESO in reaching this significant milestone and getting us to this point, I wanted to highlight that I am recommending this batch with the recognition and understanding that there is still significant work to be done. The success of the full implementation of MRP will be dependant on an approach by the IESO that recognizes the learning curve the of industry as a whole in MPM application, limitations and outcomes. An important part of this will be the development of the Terms of Reference for the new MPM Working Group in transparent and functional way to allow it to address industry concerns.

Additionally, one of the larger challenges with reviewing MRP in relation to energy storage is the limited experience and understanding within both the community and the IESO in how larger scale energy storage will be scheduled and operate under market renewal. While I am approving the MRP Final

TP Member	Vote and/or Rationale
	<p>Alignment Batch based on existing interim storage rules within the MRP framework, there are serious challenges and shortcomings with energy storage operating under MRP. This ranges from the simple inability to set an ADE and provide operating reserve at the same time thus creating potential technology inequalities in the DAM, to reference levels and the fluctuating operating costs of charging, through to the more challenging integration of real time state of charge management. The understanding is that the implementation of MRP will provide a clear avenue to initiating and developing a full integration solution for energy storage resources.</p> <p>Lastly, my approval is based on the understanding that we have a long way to go ahead of May 1<sup>st</sup> and there will more than likely be changes and tweaks to be done to the rules as we work through end-to-end testing. I look forward to continuing to work with the IESO in ensuring we have a functional, working set of rules that allows for the end goal of more efficient supply, scheduling, and pricing of electricity.</p>
<p>Dave Forsyth (Consumer)</p>	<p>For</p> <p>I voted yes to support the final alignment batch of rules for MRP. I believe the IESO worked with the sector to address issues brought forward by the industrial consumer load community. However, I am concerned that the provision that dispatchable load must offer operating reserve in all hours they are dispatchable in the energy market to be unreasonable. The IESO has committed to work with dispatchable load to address criteria that will be considered when making determinations that dispatchable loads are exercising market power which is a very highly unlikely outcome and I look forward to those meetings.</p>
<p>Matthew China (Energy Related Business and Service)</p>	<p>For</p>
<p>Joe Saunders (Distributor)</p>	<p>For</p>



TP Member	Vote and/or Rationale
David Short (IESO)	<p>I voted in favour of the Vote to Recommend the proposed market rule amendments MR-00481-R00-R013 to the IESO Board for approval at its October 18, 2024, meeting. The final alignment for Market Rules and manuals were posted for stakeholder review on June 7, 2024. The comments received from the stakeholder review were shared with the Technical Panel (TP) with a series of TP meetings held in July and August to discuss comments in detail with IESO staff. Due to the complexity of the changes, a number of concerns were raised by TP members, including concerns regarding potential unintended outcomes of the implementation of the market power mitigation (MPM) framework and to mitigate the risk of a material, unintended impact on suppliers. The IESO has committed to the establishment of an MPM working group to address concerns and advise the IESO and TP.</p> <p>The TP has been meeting for many years to discuss the market rule amendments with IESO engaging in significant stakeholder engagement, MPM working groups and TP education sessions. IESO staff and TP agreed that discussions and opportunities for potential amendments would continue through to the May 2025 MRP go-live date.</p>