

Memorandum

To: Stakeholder Advisory Committee

From: Devon Huber, Senior Manager, Regulatory Affairs

Date: November 3, 2021

Re: IESO Business Update – Market Surveillance Panel (MSP) Recommendations

The following provides an update to members of the Stakeholder Advisory Committee (SAC) on the status of IESO actions taken in response to Market Surveillance Panel (MSP) recommendations.

MSP Monitoring Report 35

On September 2, 2021 the MSP released their 35th monitoring report on the IESO-Administered Electricity Markets for the period from May 1, 2020 to October 31, 2020 (MSP 35). The report contained 8 recommendations on three topics: two on Demand Response performance, three on the Real-Time Generation Cost Guarantee (RT-GCG) program, and three on procurements.

MSP 35 discussed the current approach to penalties and payments for Demand Response resources in the Capacity Auction and made recommendations to address performance issues. The IESO agrees with these recommendations and is in the process of engaging with stakeholders on a capacity qualification process for all Capacity Auction resources, as well as a suite of enhancements to the Capacity Auction performance assessment framework that will work together to ensure resources offer their expected capability into the Capacity Auction.

With regard to the RT-GCG program, MSP 35 recommended the IESO not include carbon costs as an eligible cost in the program, but if the costs continue to remain eligible, to publicly report on those costs. The RT-GCG program ensures that non-quick start generators are available to meet reliability in real-time by providing recovery of certain incremental fuel, operating, and maintenance costs incurred as a result of starting up, to the extent those costs are not recovered through market revenues. Carbon costs are an additional operating cost incurred by generators during the start-up period and the IESO considers the eligibility of these costs to be consistent with the purpose of the program. The IESO will publicly report on carbon costs reimbursed by the end of the year.

In the future, the Market Renewal Program (MRP) will introduce the enhanced real-time unit commitment process which will facilitate enhanced competition between generators based on their all-in costs, including carbon costs.

With regard to procurements, MSP 35 recommended the use of competitive procurements in all possible cases, making more information on non-competitive procurements public, and separating system and non-system costs and benefits in IESO analysis of potential procurements and publishing the results. The IESO largely agrees with these recommendations, is committed to using competitive mechanisms in all possible cases, and has already made progress on providing more public information on non-competitive procurements through the Annual Acquisition Report (AAR) and bulk and regional plans. The IESO does not consider non-system costs and benefits, outside of the IESO's objects, in its analysis of potential projects. Other non-system costs and benefits are best assessed and published by the appropriate branch of Government.

The full MSP 35 report and IESO response are available on the [Ontario Energy Board's website](#).

Active Stakeholder Engagements Addressing MSP Recommendations

The IESO is currently taking action on 8 recommendations via active stakeholder engagements.

MSP Report & Recommendation	Update on IESO Actions
September 2021, recommendations 3-1 and 3-2 <i>Demand Response resources in the Capacity Auction</i>	The IESO is addressing these recommendations through the Resource Adequacy Engagement . The IESO reviewed and discussed the design document for 2022 Enhancements to the Capacity Auction at the October 21 stakeholder engagement day.
September 2021, recommendation 3-7 and December 2020, recommendations 3-2 through 3-5 <i>Non-competitive procurement, capacity planning, need assessment processes</i>	The IESO is addressing these recommendations through the Resource Adequacy Engagement and through the development of the 2022 Annual Acquisition Report.
May 2017, recommendation 3-1 <i>Operating Reserve accessibility</i>	The IESO is addressing this recommendation through the Improving Accessibility of Operating Reserve . Stakeholder feedback has been received, reviewed and incorporated into the draft Market Rules that are now in the Technical Panel process.