

Memorandum



To: **MARKETS COMMITTEE OF THE BOARD OF DIRECTORS of the Independent Electricity System Operator**

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

Date: June 15, 2021

Re: Market Renewal Program: Market Entry and Prudential Security (Market Rule Amendments MR-00450, MR-00451, MR-00453, MR-00461)

Purpose of Item: Recommendation for Provisional Approval to the Board

Executive Summary:

The IESO is seeking a provisional approval from the IESO Board on proposed market rule amendments enabling participant authorization, facility registration and prudential support (collectively “Batch 1”) for the Market Renewal Program (MRP). The Technical Panel provided a unanimous provisional recommendation of the amendment proposals to the IESO Board.

Significant Issues, Risks and Opportunities:

The MRP is expected to increase the efficiency of Ontario’s electricity markets. No significant issues were raised with the proposed amendments for Batch 1.

Independent Electricity System Operator
1600-120 Adelaide Street West
Toronto, ON M5H 1T1
t 416.967.7474
www.ieso.ca

Technical Panel members were of the view that Batch 1 of the market rule amendments accurately reflected the corresponding detailed designs for market entry and prudential security. The Panel's recommendation is on the provision that subsequent batches of MRP rule amendment proposals do not reveal issues with the present batch.

Several Panel members noted the need to assess any potential impacts, discrepancies, or misalignments between MRP proposed rule amendments and any OEB codes or instruments. No specific issues were identified in connection with the present Batch of rule amendments. The IESO is having regular meetings with the OEB, including with the OEB's observer representative at Technical Panel, where alignment issues are discussed.

In addition, Panel members requested that the IESO maintain a running list of open issues identified in connection with the review of each batch, where it is anticipated that those issues will be addressed in subsequent batches. Maintaining such a list for future reference will help to ensure the thoroughness and completeness of the Panel's review. The IESO has committed to maintain such a list.

Background:

In its mission to enhance the efficiency of Ontario's electricity markets, the IESO initiated the MRP with the following three initiatives for the energy work stream:

- Replace the two-schedule market with a single schedule market (SSM) to address current misalignments between price and dispatch and to better reflect the true cost of dispatching resources.
- Introduce a day-ahead market (DAM) to provide greater operational certainty to the IESO and greater financial certainty to market participants, ensuring more efficient scheduling of resources to meet anticipated system needs.
- Reduce the cost of scheduling resources to meet demand as it changes from the day-ahead to real-time through the enhanced real-time unit commitment (ERUC) initiative.

This redesign will address inefficiencies in the current market, implement best practices that have emerged over the past decade and prepare the IESO to more effectively manage future change. In the end, MRP will deliver a more efficient, stable marketplace with competitive and transparent mechanisms that meet Ontario's electricity needs at the lowest cost possible.

Batch 1 of the MRP market rule amendments:

- i. Incorporates participation in the day-ahead market within participant authorization requirements;
- ii. Specifies the registration requirements for market participants for day-ahead market and real-time market physical transactions;
- iii. Incorporates day-ahead physical transactions into the existing prudential support provisions, creates new sections governing virtual transactions in the day-ahead market, and creates a consolidated monitoring regime for participants conducting both physical and virtual transactions; and
- iv. Amends defined terms to support the Batch 1 market rule amendments.

This is the first of five batches of MRP rule amendments. The first four batches are planned for the Board's provisional approval in lock-step with the Technical Panel's corresponding provisional recommendations. A formal recommendation to the IESO Board with respect to all of the batches will be requested along with the fifth batch of rule amendments.

Proposal and Analysis

Prior to the Technical Panel review of the draft rules, no comments were received from stakeholders on the Batch 1 market rule amendments.

Two written submissions were received from Ontario Power Generation (OPG) and Capital Power in response to the Technical Panel call for stakeholder comments.

OPG submitted written comments in relation to the registration process and defined terms:

- requested additional language to limit the scope of additional information that could be requested by the IESO when requesting registration related information. The IESO included such language as requested;
- requested clarification on the defined term "resource," and more consistent language in the registration sections of the market rules. The IESO provided clarification and edited language for consistency;
- suggested additional wording for the defined term "shared daily energy limit" which the IESO did not accept. The IESO was of the view that the proposed change was unnecessary, and that the proposed definition as drafted accurately and completely captures how the registration parameter will be used by the IESO and market participants.

Capital Power submitted written comments on a proposed market rule provision related to the rejection of facility registration information. The IESO considered the comments received and deleted the proposed provision in its entirety which addressed Capital Power's concerns.

At the April 20, 2021 Technical Panel meeting, the panel voted unanimously to provisionally recommend the proposed market rule amendments to the IESO Board.

Next Steps / Implementation:

I recommend that the Board accept the unanimous vote and provisional recommendation of the Technical Panel to provisionally approve market rule amendments MR-00450, MR-00451, MR-00453, MR-00461: Market Renewal Program: Market Entry and Prudential Security.

Michael Lyle

/st

Cc: IESO Records

Encls.

a. Market Rule Amendment Proposal forms

- MR-00450-R00: Participant Authorization
- MR-00451-R00: Facility Registration
- MR-00453-R00-R04: Prudential Security
- MR-00461-R00: Batch 1 Definitions

b. Technical Panel Materials

- i. Memo to Technical Panel from IESO staff, dated April 13, 2021
- ii. TP member Rationale, dated April 20, 2021

c. Stakeholder feedback summary, stakeholder engagement and Technical Panel

d. Consumer Impact Assessment

e. Draft Board Resolution