

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: August 29, 2023

Re: Market Renewal Program: Market Settlements, Metering, Market Billing and Funds Administration (Market Rule Amendments MR-00452-R00, MR-00456-R00-R03, MR-00461-R04)

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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 to codify the Market Renewal Program's (MRP's) Market Settlements framework. At the June 13, 2023 Technical Panel meeting, the Technical Panel voted unanimously in favour of provisionally recommending the amendment proposals to the IESO Board.

Significant Issues, Risks and Opportunities:

Noting the complex nature of the Settlements batch, the IESO's stakeholder engagement approach focused on the preparation of numerous examples of hourly and non-hourly settlement amounts. These examples were provided to stakeholders along with the release of the market

rules and market manuals. The IESO held five days of technical sessions, segmented by resource type, to review concepts and examples relevant to specific resource types, and additional examples were provided based on stakeholder feedback.

Stakeholders have identified no specific issues, nor have they expressed any significant concerns with the Settlements batch of market rule amendments, either as part of the formal engagement process, or otherwise to date. Stakeholders have indicated that additional questions may arise following review of the Market and System Operations market rules and market manuals. They have also requested further details on market participant readiness and testing plans.

During the Technical Panel review process, Panel members similarly raised no specific issues, nor expressed any significant concerns with the Settlements batch of market rule amendments. However, the Distributor representative on the Technical Panel indicated that local distribution companies (LDCs) had general concerns with the timeline for LDCs to implement the necessary changes to their settlement systems and processes, and guidance needed from the OEB related to downstream settlement and accounting practices. The Distributor representative acknowledged that these implementation-related concerns are unrelated to the substance of the market rule amendments and that the IESO has been working with the Electricity Distributors Association (EDA) and OEB to address LDC questions through the LDC MRP Preparedness group. The IESO confirmed that this group would receive reference material to help LDCs and the OEB identify how to apply settlement changes to LDC's downstream settlements and accounting at a meeting later that month, and that the IESO is also developing more detailed participant testing plans with input from the MRP Implementation Working Group which includes LDC, EDA and OEB representation.

Background:

MRP will introduce a day-ahead market for physical energy, operating reserve and virtual energy transactions. The real-time market will function as a balancing market. Both markets will employ locational marginal prices (LMPs) for suppliers, dispatchable and price responsive loads. All other consumers will pay the Ontario zonal price which will replace the Hourly Ontario Energy Price. New hourly and non-hourly market charges, credits, guarantees, make-whole payments and uplifts will be introduced with the implementation of MRP, as well as enhancements to the market power mitigation framework. Financial transmission rights will be settled in the day-ahead market.

The Settlements market rule amendments are the fifth of seven market rule batches required to implement MRP. A formal recommendation to the IESO Board with respect to the content in all of the batches will be requested as part of the Final Alignment batch of rule amendments.

Proposal and Analysis

The IESO received 142 comments from stakeholders in total on the proposed Settlements market rule amendments, with 51 of those comments coming from the Technical Panel's request for additional written comments.

Five sets of written comments were received at the stakeholder engagement phase from Atura Power, the Electricity Distributors Association (EDA), and Ontario Power Generation (OPG) who submitted three sets of comments. Written comments were received from Vlad Urukov, Atura Power and OPG in response to the Technical Panel's call for stakeholder comments.

The majority of comments were requests for clarification (78), followed by editorial (37), modifications (21), additions (1), market rule interpretation requests (3), and updates to defined terms (2). No significant concerns on the Market Settlements market rule amendments have been received to date.

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-00452-R00, MR-00456-R00-R03 and MR-00461-R04: Market Renewal Program - Market Settlements, Metering, Billing and Funds Administration.

Requested Committee Resolution:

The Committee is asked to pass the following resolution:

CONCERNING MR-00452-R00, MR-00456-R00-R03 and MR-00461-R04: Market Renewal Program: Market Settlements, Metering, Billing and Funds Administration, which are market rule amendments that will enable the Market Settlements framework for 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;
- b) **WHEREAS** the IESO engaged with the Technical Panel and incorporated their suggestions into the proposal; and
- c) **WHEREAS** the Technical Panel voted to provisionally recommend MR-00452-R00, MR-00456-R00-R03 and MR-00461-R04 for provisional approval by the IESO Board;

BE IT RESOLVED THAT the Markets Committee of the IESO Board recommends that the IESO Board of Directors provisionally approve MR-00452-R00, MR-00456-R00-R03 and MR-00461-R04.

BE IT FURTHER RESOLVED THAT the Markets Committee of the IESO Board reserve its formal recommendation of MR-00452-R00, MR-00456-R00-R03 and MR-00461-R04, pending its review of the full set of Market Renewal Program market rule amendments and receipt of formal recommendations from the Technical Panel.

Michael Lyle

Cc: IESO Records

Encls.

a. Market Rule Amendment Proposal forms

- MR-00452-R00: Energy – Revenue Meter Registration
- MR-00456-R00: Market Settlements, Market Billing and Funds Administration
- MR-00456-R01: Settlements and Billing – Chapter 9 Appendices
- MR-00456-R02: Physical Bilateral Contracts and Financial Markets
- MR-00456-R03: Hydroelectric Resources – Optional Registration Requirements
- MR-00461-R04: Market Settlements, Metering, Market Billing and Funds Administration: Definitions

b. Technical Panel Materials

- i. Memo to Technical Panel from IESO staff, dated June 6, 2023
- ii. TP member Rationale, dated June 13, 2023

- c. Stakeholder feedback summary, stakeholder engagement and Technical Panel
- d. Consumer Impact Assessment
- e. Draft Board Resolution