

Memorandum

To: Technical Panel

From: Stephen Nusbaum, Director, MRP Implementation

Date: August 8, 2024

Re: Market Power Mitigation – Timing DCA & NCA introduction in the renewed market

INTRODUCTION

Technical Panel members have expressed concerns about the implementation schedule related to Potential Constrained Areas (PCA) due to the following:

1. Limited advance visibility of where in the province Narrow Constrained Areas (NCA)/Dynamic Constrained Areas (DCA) will exist post Go Live.
2. Limited time post-designation to ensure their offer strategies can be updated.

This memo seeks to clarify certain details about the timing of the administration of constrained areas and proposes modifications to the implementation plan to be responsive to feedback received.

BACKGROUND AND TIMING: PCA ANALYSIS AND NCA/DCA DESIGNATIONS

On an enduring basis, PCA analysis is intended to be an annual activity completed by the IESO. While subject to change, the optimal steady-state analysis period is from March 1st of the previous year to February 28th (or 29th) of the current year. This would result in designation periods that would be from May 1st of the current year until April 30th of the following year.

Per the proposed market rules, NCAs cannot come into effect sooner than 30-days following when the IESO publishes the list of NCA designations (based on 4% binding constraints in real-time across the study period). When a PCA is designated as a DCA (based on the past 120-hours of system conditions), the existence of the DCA will be communicated to the market via a public report at least four hours prior to the start of it taking effect.

As part of planning for the cutover to the renewed market, Market Renewal Program (MRP) has previously communicated that a minimum of 90 days' worth of data would be required to allow Dynamic Constrained Areas and Narrow Constrained Areas to be established in a meaningful way. The analysis required to identify PCAs will take multiple weeks to complete. As a result, and assuming a May 1, 2025 launch date, this means that the earliest any constrained area condition could be applied is roughly mid-September 2025.

RESPONDING TO STAKEHOLDER FEEDBACK

It has been suggested that the IESO could provide a preliminary assessment of the likely DCAs/NCAs prior to the actual PCA designations being established in mid-August (*assuming a May 1st launch and 90 days of data*). Without a substantive data set covering, there is limited utility in producing preliminary designations because the results would not necessarily be indicative of constrained areas in the longer term.

To address the two concerns noted at the top of this memo, the IESO is proposing to make the following modifications to the implementation plan:

- Collect five months (i.e. 150 days) worth of data from the renewed market prior to conducting the analysis to establish PCAs/NCAs. Note this would mean that the first designations would come into effect more than six months after go live.
- Similar to the 30-day delay between when NCAs are published and when they come into effect, the application of the first DCAs would also be delayed until 30 days after the PCA analysis is completed.
- IESO would 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.

Taken together, these modifications will allow Market Participants to obtain an advance view into the likely locations of constrained areas, while also providing them additional time to become familiar with the renewed market before being tested against DCA/NCA conditions.

This refined timing for the analysis strikes a balance between having sufficient data to create meaningful designations, against not waiting longer than necessary to facilitate the relevant aspects of the mitigation framework.