Summary of Stakeholder and Technical Panel Comments on the Impact of the Market Rule Amendment on Consumers Re: Price, Reliability, Quality of Electricity Service

This form summarizes any stakeholder comments and comments received from any *technical panel* discussions on the impact of a *market rule amendment* on the interests of consumers with respect to price and the *reliability* and quality of electricity service.

Terms and acronyms used in this Form that are italicized have the meanings ascribed thereto in Chapter 11 of the *Market Rules*.

Part 1 – Market Rule Information

Identification No.: MR-00481-R00-R13

Title: Market Renewal Program: Final Alignment

Date of Assessment: September 18, 2024

Part 2 – Summary of Comments

The following indicates the forum at which the comments were made and the applicable *market participant* class, if any, of the person making the comment.

Technical Panel Comments:

Market Power Mitigation

The residential consumers' representative on the Technical Panel asked for the impact of the market power mitigation (MPM) rule amendments on consumers, specifically residential consumers in addition to other market consumers (Class A and Class B market consumers).

The IESO responded that the MPM batch of market rules outlines the obligations and authorities associated with preventing market participants from taking advantage of market power that they might have, and is a form of consumer protection built into the market. Periods of participants exercising market power can occur when lack of competition in an area enables the possibility for participants to elicit unfair profits by raising their offers significantly above their short-run marginal costs. The exercise of market power reduces economic efficiency because prices impacted by market power do not reflect short-run marginal costs, resulting in inefficient outcomes in both the short-

Technical Panel Comments:

and long-run. These exercises of market power could lead to higher consumer costs associated with the commodity price of electricity (market clearing prices) as well as unnecessary uplift costs paid by Class A and Class B loads.

Although not explicitly related to price, reliability or quality of electricity service, supplier representatives on the Technical Panel expressed concerns that the MPM framework could potentially impact supply resources in ways that are unintended, and which have not, or cannot be anticipated prior to it being operationalized. Concerns were also expressed with respect to the sufficiency of avenues for supplier recourse in the event MPM does create such unintended impacts.

In response to these concerns, the IESO held five additional sessions on MPM with the Panel. The IESO reiterated the importance of implementing an enhanced MPM framework in the renewed market given the shift to Locational Marginal Pricing and the risk that shift creates of exposing consumers to unreasonably high prices where local supply is restricted. The IESO also recapped the various mitigation processes associated with the MPM framework, existing and new recourse mechanisms, and then sought additional input from the Panel to better understand Panel member concerns relating to potential unintended outcomes and the sufficiency of recourse mechanisms. The IESO and Panel members had concerted discussions with respect to actions that could be taken to help identify and address potential unintended outcomes of the implementation of the MPM framework. In addition to market participants' ability to leverage the existing recourse options, the IESO committed to take the following actions to the satisfaction of stakeholder and Panel member concerns:

1- Further delay designation of constrained areas as follows:

- Collect five months of data from the renewed market prior conducting the analysis to establish potential and narrow constrained areas (PCA's and NCA's respectively);
- Delay application of the first dynamic constrained areas (DCAs) until 30 days after the PCA analysis is completed;
- IESO to 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.

2- Enhance testing of the MPM framework during the End-to-End test phase;

3- Apply discretion to not issue ex-post mitigation assessments if warranted; and

4- Establish an MPM working group, the objective of which will be to assist in identifying unintended outcomes of the MPM framework and recommending means to address such unintended outcomes, and codifying this obligation in the market rules.

Stakeholder Comments:

Market Entry and Prudential Security

Although not directly linked to the price of electricity, the Electricity Distributors Association (EDA) commented that a local distribution company's (LDC's) actual exposure in the market will be, in part determined by electricity prices that will be paid by its customers. To date, the EDA has not received guidance from the Ontario Energy Board with respect to what new price produced by the IESO will replace the hourly Ontario energy price (HOEP) for LDC customers (i.e. consumers that are not IESO market participants). Without this input, it is difficult for the EDA to comment at this time with respect to the appropriateness of the IESO's proposed amendments to recalculate prudential support following the implementation of MRP. The IESO responded that it would continue to work with the OEB, and the stakeholder community, on this and any other issue that arises in connection with MRP.

Market Power Mitigation

Stakeholders reiterated the concerns raised by the supplier representatives on the Technical Panel related to the MPM framework and potential unintended impacts on supply resources. Please see the concerns and IESO response noted above.

Market Settlements, Metering, Market Billing and Funds Administration

The Electricity Distributors Association (EDA) commented that local distribution companies (LDCs) are seeking details with respect to the expected magnitude of the following:

1) load forecast deviation adjustment (LFDA); Note: the LFDA is an adjustment resulting from forecast deviations which is added to the DAM Ontario zonal price. The sum of the DAM Ontario zonal price and LFDA will be the price paid by non-dispatchable loads for the real-time allocated quantity of energy withdrawn;

2) internal congestion rent and loss residuals; Note: Congestion rent and loss residuals (CRLR) collected at internal system nodes will be a new uplift disbursed monthly to all loads on a pro-rata basis across all allocated quantities of energy withdrawn at all RWMs.

The IESO responded that it will continue to work with the OEB and the LDC community, through the LDC-IESO MRP Preparedness Group, to identify how MRP charge types relate to existing charge types so that appropriate guidance can be provided to LDCs, as well as to better understand their concerns with regard to changes to market settlements.

Market & System Operations and Calculation Engines

Capital Power commented that the Market Rules provide the IESO with ample opportunity to override day-ahead market, pre-dispatch and real-time calculation engines, which will impact locational marginal prices and settlement amounts for participants. Can the IESO provide more clarity on how these interventions will occur in reality, and what the impacts would be?

The IESO responded that it will only manually constrain resources out of economic order to safeguard the reliability of the IESO-controlled grid (see Chapter 5, Section 1.2), or to ensure the safety of any person, prevent the damage of equipment, or to prevent the violation of any applicable law. The IESO will use a similar approach to manual interventions post-MRP as it does today.

The IESO specified that manual constraints may impact the real-time locational marginal price for energy or operating reserve and may also impact the schedules of resources that have not been constrained. However, since the single-schedule system already

Stakeholder Comments:

incorporates system operating limits into schedules and prices, the economic impact of manual constraints will be significantly less in the new market compared to the current market.