

## IESO Annual OEB Status Update Report (Period January 2011 – December 2015)

| MSP Report Date | Recommendation  | Status of Actions Taken to Address the Recommendation  |
|-----------------|---|--|
| October 8, 2015 | <b>Recommendation 2-1</b><br><br>The Panel recommends that the IESO assess the methodology used to set the intertie zonal price for a congested intertie when the Net Interchange Scheduling Limit is binding or violated, in order to make the incentives provided by the intertie zonal price better fit the needs of the market. | The IESO continues to assess how changes to the intertie zonal price setting methodology would address the concerns noted by the Market Surveillance Panel. The IESO will be initiating a stakeholder engagement in early 2016 to review modifications to the methodology and to determine whether any change is warranted and feasible.   |
|                 | <b>Recommendation 2-2</b><br><br>To the extent that the IESO believes the Real-Time Generator Cost Guarantee program continues to be needed, the Panel recommends that the IESO require generators to make more specific cost submissions under that program.   | The IESO initiated a stakeholder engagement, “RT-GCG Program Cost Recovery Framework” in Q4 2015. Under this engagement, the IESO will present a more clearly defined cost recovery framework aimed at increasing the detail of submissions of costs eligible for recovery under the program. The implementation of proposed changes is targeted for Q3 2016.  |
| April 20, 2015  | <b>Recommendation 3-1</b><br><br>The Panel recommends that the IESO eliminate constrained-off Congestion Management Settlement Credit (CMSC) payments for all intertie transactions, with due consideration to the interplay between the elimination of negative CMSC payments and Intertie Offer Guarantee payments.               | In 2015 the IESO Board approved MR-0423-R00: Limiting Constrained-Off CMSC at the Interties which address “pay-as-bid” incentives that result in imports and exports being offered into the market with no intention to flow, and will limit unwarranted constrained-off CMSC being charged to Ontario consumers. The market rule amendment was effective September 18, 2015. This recommendation is now closed. |

## IESO Annual OEB Status Update Report (Period January 2011 – December 2015)

| MSP Report Date  | Recommendation   | Status of Actions Taken to Address the Recommendation   |
|--|--|---|
| <p>February 2015</p> <p>Market Surveillance Panel Investigation Report</p> | <p>a) The IESO should review the CMSC payments being made to dispatchable loads since the November/December 2010 amendment to the Market Rules in order to determine whether there are significant amounts that continue to be unwarranted (i.e. paid as a result of market participant actions rather than to compensate for operating profit reductions arising from responding to dispatch instructions caused by grid conditions).</p> <p>b) If necessary, the IESO should make further amendments to the Market Rules to eliminate unwarranted CMSC payments to dispatchable loads.</p> | <p>In 2015, the IESO completed its assessment of the business rules associated with the payment and automated claw backs of CMSC to dispatchable loads and will discuss these findings with the Market Surveillance Panel in early 2016.</p>  |
| <p>September 24, 2014</p>  | <p><b>Recommendation 3-2</b></p> <p>The Panel recommends that the IESO revise the way it allocates uplift charges associated with top-up payments under the real-time generation cost guarantee and day-ahead production cost guarantee programs so that the charges to the Ontario consumers and to exporters better reflect the extent to which each group causes those payments to be incurred.</p>   | <p>The IESO extended the analysis performed by the Market Surveillance Panel and determined other factors not identified that can cause generator commitments. The IESO will finalize its analysis by the end of 2015 and will present its findings to the Market Surveillance Panel in early 2016.</p> |

## IESO Annual OEB Status Update Report (Period January 2011 – December 2015)

| MSP Report Date | Recommendation   | Status of Actions Taken to Address the Recommendation  |
|-----------------|--|--|
| January 6, 2014 | <b>Recommendation 2-1</b><br><br>The Panel recommends that the IESO eliminate constrained-off Congestion Management Settlement Credit (CMSC) payments for all intertie transactions, with due consideration to the interplay between the elimination of negative CMSC payments and Intertie Offer Guarantee payments.  | This recommendation is now closed; please see the status update for recommendation 3-1 from the April 20, 2015 report.   |
|                 | <b>Recommendation 3-2</b><br><br>If the IESO, after performing its detailed analysis, determines that the RT-GCG program continues to be needed, the Panel recommends that the IESO modify the RT-GCG program such that the revenues that are used to offset guaranteed costs under the program are expanded to include any profit (revenues less incremental operating costs) earned (a) on output above a generation facility's minimum loading point during its minimum generation block run time (MGBRT), and (b) on output generated after the end of the facility's MGBRT. | In 2015, the IESO explored this recommendation by conducting a materiality analysis and examining the potential resulting impacts. The results of this analysis will be reviewed with the Market Surveillance Panel in 2016. The IESO will further pursue the future structure of real-time commitment through a review that will consider key components of its market design which will be a multi-year initiative starting in 2016. |

## IESO Annual OEB Status Update Report (Period January 2011 – December 2015)

| MSP Report Date | Recommendation   | Status of Actions Taken to Address the Recommendation  |
|-----------------|--|--|
|                 | <p><b>Recommendation 3-3</b></p> <p>The Panel recommends that the IESO re-examine the question of integrating exports into EDAC to reduce the need to commit additional generation in real-time to meet export demand that currently only appears in the market in real-time. While the Panel is not recommending a specific approach for integrating exports, the following have been identified as potential options:</p> <p>a) introduce a mechanism that encourages exports to bid in EDAC; or</p> <p>b) include a forecast of exports when commitments are made under EDAC.</p> | <p>a) Part a) was closed in the IESO's January 31, 2014 response.</p> <p>b) In 2015, the IESO assessed the recommendation to integrate forecast exports into the day-ahead commitment process (DACP). The IESO will present its findings to the Market Surveillance Panel in early 2016.</p> <p>The IESO is pursuing a review of key components of its market design which will be a multi-year initiative starting in 2016; the changes from this will more effectively address the concerns associated with the absence of exports in the DACP.</p>  |
| June 21, 2013   | <p><b>Recommendation 2-1</b></p> <p>The IESO should consider expanding the current local market power framework to cover analogous circumstances that arise as part of the day-ahead commitment process.</p>   | <p>The IESO has considered the need for expanding the local market power framework to cover analogous circumstances that arise as part of the DACP and concluded that such a framework is warranted. The IESO has also assessed that while opportunities for exercising local market power via the DACP may exist on an isolated basis, active monitoring indicates actual instances have been rare. However, in instances where local market power is exercised the market effects can be material. In 2016, the IESO will continue to monitor for the materiality of local market power in the DACP and assess the most effective way of addressing it within existing resource and priority sets.</p> |

## IESO Annual OEB Status Update Report (Period January 2011 – December 2015)

| MSP Report Date  | Recommendation  | Status of Actions Taken to Address the Recommendation  |
|------------------|---|--|
|                  | <b>Recommendation 3-1</b><br>The IESO should implement a permanent, rule based solution to eliminate self-induced CMSC payments to ramping down generators.   | The IESO developed a permanent market rule based solution in 2015. MR-00414: Limiting CMSC During Ramp-Down was approved by the IESO Board on June 24, 2015 and will be effective upon the implementation of required IT system changes. This recommendation is now closed.  |
| January 14, 2013 | <b>Recommendation 3-1</b><br>The IESO should reassess the design of the Ontario Transmission Rights (TR) market to determine whether it is achieving its intended purpose.  | Phase 2 of the Transmission Rights Market Review is intended to be a comprehensive review of all aspects of the TR market design. The timing of Phase 2 will be deferred until other impacts from potential enhancements to Ontario's real-time electricity market can be identified. A review of the key components of the IESO's market design will be a multi-year initiative starting in 2016; the timing of this engagement will be communicated to stakeholders once it has been determined. |
|                  | <b>Recommendation 3-5</b><br>As part of the IESO's planned review of the Enhanced Day-Ahead Commitment Process, the Panel recommends that the IESO examine the interplay between the day-ahead intertie offer guarantee program and the transmission rights market. | In 2015, the IESO completed its examination of the interplay between the day-ahead intertie offer guarantee and the transmission rights market. The IESO will discuss these findings with the Market Surveillance Panel in early 2016.   |

## IESO Annual OEB Status Update Report (Period January 2011 – December 2015)

| MSP Report Date | Recommendation  | Status of Actions Taken to Address the Recommendation  |
|-----------------|---|--|
| April 27, 2012  | <b>Recommendation 4-1</b><br><br>The Panel recommends that the IESO proceed with development work on those recommendations of the Electricity Market Forum that are directed at improving market efficiency, including the consideration of options to replace the two-schedule structure of the current market design. | In 2015 the IESO closed the Energy Market Pricing System Review and as a result of this stakeholder effort and further to the recommendations made through the Electricity Market Forum, the IESO will pursue a review of the key components of its market design in a multi-year initiative starting in 2016, the timing of which will be communicated to stakeholders once it has been determined. |