

IESO Annual OEB Status Update Report (Period January 2014 – December 2018)

MSP Report Date	Recommendation	Status of Actions Taken to Address the Recommendation
March 22, 2018	<p>Recommendation 3-1</p> <p>The Independent Electricity System Operator should implement rules that allow it to recover Congestion Management Settlement Credit payments made to dispatchable loads when those payments are the result of an operational constraint arising from conditions at the dispatchable load’s facility. The IESO should also examine whether the scope of the current provisions that allow it to recover CMSC payments from generators in relation to SEAL-related constraints should be expanded to cover any other operational constraints arising from conditions at the generator’s facility.</p>	<p>The IESO has reviewed the rules and processes related to Congestion Management Settlement Credit (CMSC) payment recoveries and is in the process of determining what, if any, changes are required to recover the CMSC as described by the Panel. If necessary, the IESO will initiate a market rule amendment to clawback the unwarranted CMSC. The IESO will update the Panel in Q1 2019.</p>
	<p>Recommendation 4-1</p> <p>The Independent Electricity System Operator should set the replacement bid price to \$0/MWh, or slightly negative, when it calculates constrained-on Congestion Management Settlement Credit payments for exports bid at negative prices.</p>	<p>The IESO does not intend to pursue this recommendation.</p> <p>Efficient intertie trade is critical to having an overall healthy and efficient electricity market. Specifically, intertie trade plays an important role in providing operational and planning flexibility that enhance the reliability and the cost-effectiveness of the Ontario electricity system.</p> <p>The IESO is concerned that a higher replacement bid price floor for calculating CMSC, as suggested by this recommendation, may deter traders from submitting export bids below \$0/MWh on any intertie due to the risk of being constrained-on which would impose unnecessary losses on traders and deter trading. This could result in both a reduction in the effectiveness of a valuable system tool during surplus conditions and possibly higher costs to ratepayers.</p> <p>The IESO also believes that the materiality of this issue has diminished. Since the implementation of the market rule change in 2015 which limited constrained-off CMSC at the interties, the amount of uplift charges related to this recommendation has</p>

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		<p>decreased significantly to approximately:</p> <ul style="list-style-type: none"> • \$16,000 in 2016, • \$4,000 in 2017, and • \$3,100 for the first 10 months of 2018.
	<p>Recommendation 4-2</p> <p>A. The Independent Electricity System Operator’s Board of Directors should revise the materiality threshold value such that operating reserve payments are clawed back when a market participant fails to fully respond to its operating reserve activation.</p> <p>B. When a market participant fails to fully respond to an operating reserve activation, the Independent Electricity System Operator should calculate the claw back based on the ratio of the energy not provided in response to the activation relative to the energy required by the activation.</p>	<p>The IESO agrees with the Panel that operating reserve suppliers should not be paid if they do not provide the expected amount of energy during an Operating Reserve activation.</p> <p>The IESO completed an assessment of the effectiveness of resources to provide expected operating reserve when activated – to ensure that the IESO is operating the power system reliably and that suppliers of this service are providing ratepayer value. The IESO discussed its assessment and potential recommendations with the Panel in December 2018. The IESO anticipates launching a stakeholder engagement in Q1 2019 to discuss and consider potential changes to increase power system reliability and ratepayer value.</p>
May 8, 2017	<p>Recommendation 3-1</p> <p>The IESO should take steps to ensure that dispatchable loads are only compensated for the amount of operating reserve they were capable of providing in real-time. More fundamentally, the IESO should explore options for ensuring unavailable OR is not scheduled in the first instance.</p>	<p>The IESO agrees with the Panel that operating reserve suppliers should be scheduled and compensated only for the amount that they were capable of providing.</p> <p>Please refer to the IESO’s response to Recommendation 4-2 from the MSP Report published on March 22, 2018.</p>

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	<p>Recommendation 3-2</p> <p>The IESO should revise the methodology used to set the intertie failure charge to include congestion rents that an intertie trader avoids when it fails a scheduled transaction for reasons within its control.</p>	<p>The issue behind this recommendation will be eliminated when the IESO delivers the energy stream of the Market Renewal Program in 2022. The IESO does not intend to take any additional action at this time.</p> <p>The Panel’s recommendation to revise the intertie failure charge seeks to mitigate the impact that failed intertie transactions have on Financial Transmission Rights (FTR) funding. Through the Market Renewal Program, the IESO will move FTR settlement from real-time to a financially-binding day-ahead market. This solution will address the Panel’s concern as it decouples FTR funding (day ahead) from failed intertie transactions (real-time).</p>
	<p>Recommendation 4-1</p> <p>A. The IESO should revise the manner in which it allocates disbursements from the Transmission Rights Clearing Account such that disbursements are proportionate to transmission service charges paid over the relevant accrual period.</p> <p>B. The IESO should not disburse any further funds from the Transmission Rights Clearing Account until such time that Recommendation 4-1(A) has been addressed.</p>	<p>The IESO agrees that now is an appropriate time to review the method by which disbursements from the TRCA are allocated.</p> <p>The IESO has initiated a review of the TRCA disbursement methodology to ensure the methodology is fair and efficient. The IESO has engaged an external consultant to deliver a public report that will evaluate the current TRCA disbursement methodology and assess other potential alternative methodologies. This report is currently under development and is expected to be published in Q1 2019. Upon publishing the report, the IESO will discuss findings with stakeholders and the Panel and determine next steps, if necessary. If changes to existing Market Rules, Market Manuals, and settlement tools are required, these respective processes can be initiated.</p> <p>With respect to part B of the recommendation, staff on the IESO’s Markets, Rules and Legal teams have reviewed the consequences of suspending TRCA disbursements and concluded that the significant risks and challenges do not justify taking such action. As a result, we do not intend to proceed with a suspension of TRCA disbursements at this time.</p>

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	<p>Recommendation 4-2</p> <p>The IESO should reassess the value provided by the capacity procured through its Demand Response auction in light of Ontario’s surplus capacity conditions, as well as the stated preference of the government and the IESO (through its Market Renewal initiative) for technology-neutral procurement at least cost.</p>	<p>The IESO has the following thoughts with regard to current capacity adequacy, demand response resources and the demand response auction:</p> <ul style="list-style-type: none"> • The period of excess capacity in Ontario is rapidly coming to a close. The IESO’s Technical Planning Conference (Sept 2018) identified a capacity need as early as 2020 with an expectation that it would be met by re-acquiring existing resources like demand response. • The IESO is committed to developing and enabling new supply resources so that they can enhance market liquidity and competition, and improve power system reliability. The Demand Response Auction (DRA) helps support this goal. • The IESO’s Incremental Capacity Auction (ICA) – currently under development and expected to be delivered in 2023 – will create a level playing field to support technology-neutral procurements of resources. The IESO expects to continue the DRA and direct DR providers to participate in the ICA. • The DRA has resulted in reduced costs for DR resources compared to previous DR programs demonstrating the value of market-based procurements. This will help meet near-term resource adequacy needs and ensure low cost resources are available when an Incremental Capacity Auction is launched. • The IESO agrees that for DR to provide greater value the requirements and resources must continue to evolve in the near term and in preparation for the Incremental Capacity Auction where DR will need to compete with other resource types. To that end, in 2018 the IESO Board of Directors approved market rule amendments to add DR resources to the Emergency Operating State Control Actions list and make Hourly Demand Response resources available more often when needed.

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November 17, 2016	<p>Recommendation 2-1</p> <p>Given the number of recent changes in operating reserve market, the Panel recommends that the IESO review whether the real-time operating reserve prices transparently reflect the value of operative reserve as more Control Action Operative Reserve capacity is scheduled, and whether changes to Control Action Operative Reserve offer quantities and prices could enhance the efficiency of the operating reserve market.</p>	<p>In March 2018, the IESO implemented changes to the Control Action Operating Reserve (CAOR) standing offer quantities to accurately reflect the capabilities of control actions available. This change has directly addressed the Panel’s recommendation to revisit the standing offer quantities to be more reflective of capability.</p> <p>The IESO agrees that it should review the effectiveness of the CAOR mechanism. The Market Renewal Program’s Energy Stream will develop an enduring mechanism to integrate constraint violations which will include a review of the CAOR mechanism including its prices and quantities. We are expecting that Energy workstream initiatives of the Market Renewal Program will go-live in 2022.</p>
	<p>Recommendation 3-1</p> <p>The Panel recommends that the IESO eliminate from the Real-time Generation Cost Guarantee (RT-GCG) program the guarantee associated with</p> <p>(a) incremental operating costs for start-up and ramp to minimum loading point; and (b) incremental maintenance costs for start-up and ramp to minimum loading point.</p>	<p>As the Panel knows, the IESO is currently developing the Enhanced Real-time Unit Commitment project, which will replace the IESO’s current pre-dispatch process and the associated Real-time Generator Cost Guarantee program when it goes live, expected in 2022. The IESO will be examining a number of issues in the ERUC design, including treatment of costs, and encourages the MSP to continue to stay involved in the engagement activities. The IESO does not intend to take any additional actions at this time to change the current RT-GCG program design.</p>
	<p>Recommendation 3-2</p> <p>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 net energy and operating reserve revenues earned, as well as all congestion management settlement credit (CMSC) payments received on: (a) output above a generation facility’s minimum loading point during its minimum generation block run time (MGBRT), and (b) output generated after the end of the facility’s MGBRT.</p>	<p>Please refer to the IESO’s response to Recommendation 3-1 from the MSP Report published on November 17, 2016.</p>

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October 8, 2015	Recommendation 2-1 <p>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.</p>	<p>The IESO agrees that it should review the NISL methodology. The Market Renewal Program's energy stream is developing an enduring mechanism to integrate constraint violations which will include a review of the NISL methodology. We expect that energy stream initiatives will go-live in 2022.</p> <p>The IESO continues to monitor and has not observed a violation to the Net Interchange Scheduling Limit (NISL) since Q4 2016. The occurrence of the negative impacts to traders which were detailed in the Market Surveillance Panel's October 2015 report has therefore been minimal during the subsequent three years.</p>
	Recommendation 2-2 <p>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.</p>	<p>Please refer to the IESO's response to Recommendation 3-1 from the MSP Report published on November 17, 2016.</p>
February 2015 Market Surveillance Panel Investigation Report	<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>Please refer to the IESO's response to Recommendation 3-1 from the MSP Report published on March 22, 2018.</p>

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September 24, 2014	<p>Recommendation 3-2</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 seeks to formally close this recommendation in coordination with the Panel.</p> <p>The IESO concluded that exports are not the only cause of additional real-time unit commitments and that a combination of factors are causing commitments in real-time and has shared that analysis with the Panel.</p>
January 6, 2014	<p>Recommendation 3-2</p> <p>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.</p>	<p>Please refer to the IESO's response to Recommendation 3-1 from the MSP Report published on November 17, 2016.</p>
	<p>Recommendation 3-3</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>The IESO seeks to formally close this recommendation in coordination with the Panel.</p> <p>The IESO concluded that the day-ahead intertie offer guarantee and the transmissions rights market are operating as designed. The IESO has also observed that the strategic offer behaviour identified has ceased to occur and determined that no changes to the market rules are required at this time.</p>

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	b) include a forecast of exports when commitments are made under EDAC.	