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Market Renewal Program – Business Case Validation

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MRP: Business Case Validation

- In light of project schedule and budget changes, the IESO reviewed the 2019 MRP Business Case to validate the assumptions and benefits
- Validation effort confirmed that the Business Case remains sound
- Project is expected to deliver at least \$700 million in net financial benefits to Ontario consumers over the first 10 years of operation
- Efficient operation of Ontario's existing resources and effective integration of new resource types is dependent on the foundational improvements MRP will deliver

Business Case Validation Process

- Review of inputs into original business case
- Assessment of whether expected benefits, costs, and underlying assumptions have materially changed
- Updated view of demand and supply projections over the assessment period
- Review the potential for changing market conditions in the intervening period

Business Case Validation: Benefits

- Quantifiable Benefits: Estimated benefits of \$975 million from market efficiencies and avoiding unnecessary payments remain the same
- Market efficiency benefits are not affected by schedule/budget changes as design has remained the same
- Benefits from more efficient unit commitment sustained as resource mix continued to have start-up costs and operational requirements

Market Efficiency	10 Years of Efficiency Benefits (\$M)
More Efficient Unit Commitment	\$190
Improved Intertie Pricing	\$285
Increased Resource Competition	\$50
Total Efficiency Benefits	\$525

Business Case Validation: Benefits (con't)

- Renewed market would avoid \$450 million of congestion management settlement credits
- Design unaffected by schedule/budget changes
- Level of avoided payment is consistent with results in 2021 market activity

Business Case Validation: Costs

- Forecast project costs have risen since previous analysis
- More detail is known about ongoing operation costs following in-service to operate the renewed market, and included in this validation
- Total implementation and operation cost combined estimate increases total by \$92 million

Business Case Validation: Non-Quantified Benefits

- Benefits from improved price signals and resource optimization are expected to be even larger and of increased importance as Ontario adds more distributed and diverse resource types
- Key MRP design elements such as multi-hour optimization and locational pricing are essential foundations for IESO initiatives on storage integration and enabling new resources

Thank You

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