

Market Renewal Program (MRP) – Feedback received on the Draft Term Sheets for Solar and Wind Contracts

The IESO issued a request to Contract counterparties for feedback on the draft term sheets for FIT, RES and LRP solar and wind contracts (the “Contracts”) on June 15, 2023 with feedback to be submitted by July 31, 2023. This was done to re-engage Contract counterparties and other stakeholders on the impacts of MRP on their Contracts and gather the necessary feedback to be able to proceed with preparing draft Contract amendments for review and feedback.

The IESO appreciates all of the feedback received and, in the spirit of transparency, has posted summarized and anonymized versions of the feedback along with the IESO’s responses. Based on the feedback received and the provisional approval of the amended market rules by the IESO’s Board of Directors, the IESO plans to provide updated versions of the term sheets and host a webinar for further discussion prior to moving forward with draft Contract amendments.

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Category 1 - MRP Process Feedback

No.	Feedback	IESO Response
1.1	We’d ask the IESO to conduct a public and industry wide webinar to do a recap, prior to going one-on-one with the amendment process. Lots have changed since we last spoke about this, not only market rules and manuals, but also personnel.	The IESO will conduct a webinar to provide an updated overview of the concepts in the term sheets for FIT, RES and LRP solar and wind contracts and to address the changes since the earlier drafts.
1.2	In regards to the next step feedback request, while the term sheets discussed and agreed to in principle a couple years ago are relatively straight forward, we do not feel the actual design and function of the new market in practice will align 100%. Therefore, we believe it would be better to test via sandbox along with multiple resources and generators to see if it works as per plan, then revisit final contract terms.	The IESO plans to post updated versions of the term sheets, which will incorporate changes to reflect market rule amendments that have been provisionally approved by the IESO’s Board of Directors. These provisionally approved market rules are expected be close to final form and provide a sufficient basis for the development of contract amendments, which need to be substantially finalized in order to build and test the settlement models.

No.	Feedback	IESO Response
		<p>The IESO will conduct testing of the contract settlement models to ensure that they produce accurate results as a part of the implementation of the finalized contract amendments. This testing will be done in addition to MRP’s market trials under a separate scope. The focus of MRP’s market trials is to provide an opportunity for Market Participants to test their ability to execute key business processes and systems prior to MRP ‘go live’.</p>
1.3	<p>We reserve any further comment we have on the amendments to our transmission-connected contracts until we see the final market rules required to implement MRP and the actual proposed contract amendment language.</p>	<p>The IESO proposes to proceed with finalizing contract amendments on the basis of the provisionally approved set of market rules. Following the webinar, the IESO will consider further comments on the updated term sheets and will take them into consideration when drafting Contract amendments. Note that the draft Contract amendments will also be posted for feedback.</p>
1.4	<p>We look forward to the IESO addressing the comments raised by other renewable energy generators the term sheet, and the MRP process generally, as that process continues.</p>	<p>The IESO has posted anonymized feedback on the earlier term sheets, as well as its responses publicly on the IESO’s ‘MRP Implications to Electricity Supply Contracts’ webpage.</p> <p>With respect to MRP more generally, there will continue to be ongoing engagement opportunities with the IESO prior to and following the MRP ‘go live’ date.</p>
1.5	<p>The Supplier appreciates the opportunity to provide feedback; however, we feel that an entirely written process is an inefficient way to inform, answer questions, and provide industry stakeholders with an understanding of the IESO’s rationale for its proposed changes.</p> <p>We recommend that the IESO add stakeholder engagement sessions that are open to all counterparties where the IESO can better explain the expected impacts of MRP on existing contracts and how the IESO’s proposed changes address the implications of MRP on contracts and the concerns raised by industry stakeholders.</p>	<p>The IESO agrees and reminds Suppliers of the various webinars and in-person meetings, in addition to written communications, that have taken place.</p> <p>The IESO will conduct a webinar to provide an updated overview of the concepts in the term sheets for FIT, RES and LRP solar and wind contracts.</p> <p>Similarly, the IESO plans to re-engage or initiate engagement with Suppliers on other affected contracts in the coming months in order to provide sufficient time to address the implications of MRP.</p> <p>If any specific questions remain from any Suppliers, following the webinars and written communications, the IESO is open to addressing those questions individually.</p>

Category 2 - DAM participation and LMP

No.	Feedback	IESO Response
2.1	It is recommended that IESO Contract Management clarify whether the IESO Market Rules for MRP require or compel FIT contracted Market Participants to participate in DAM.	<p>Suppliers are encouraged to familiarize themselves with market rules and manuals and to seek clarification when needed through the ongoing MRP engagement process.</p> <p>In particular, the IESO refers Suppliers to the following provisionally approved market rule amendments:</p> <ul style="list-style-type: none"> a) MR 00454 re chapter 7 sections 3.1.11 to 3.1.14 which set out the requirements that real time offers for dispatchable generation resources be within the limits established in the DAM by the Availability Declaration Envelope (“ADE”) and: b) MR 00455 re chapter 7 section 22 which sets out requirements associated with market power mitigation.
2.2	The Supplier notes that a material change under MRP is the shift from system-wide pricing to locational marginal pricing. The Supplier is concerned that there could be higher instances of negative pricing on a zonal basis once MRP is adopted. Changes to the frequency and magnitude of negative prices by zones can materially impact RES contract revenues and adversely impact contract holders. We ask the IESO to provide information about the expected incidences of negative pricing by zone so that stakeholders can better understand how MRP will impact contract revenues.	Please refer to the previously prepared materials, posted on the IESO’s ‘MRP Implications to Electricity Supply Contracts’ webpage, which provide analysis on contract revenues under multiple scenarios, including negative LMP. As shown through that analysis, the concepts proposed in the draft term sheet preserve Suppliers’ revenues without impact by the frequency and magnitude of negative LMP prices by zone.

Make Whole Payments and Curtailment

No.	Feedback	IESO Response
3.1	It is recommended that IESO Contract Management clarify how DAM Make Whole Payments may interact with the contract amendment. The identification of curtailment events and settlement is expected to be complex, and a more complete listing of settlement charge codes and variables that are to be	The IESO is proposing updates to the draft term sheets related to Make Whole Payments and their interaction with the curtailment amendment. The IESO plans to present additional financial modeling scenarios, resulting from these changes, at the upcoming webinar.

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	included in the foregone energy calculation would be beneficial.	
3.2	<p>The Supplier understands that MRP will impact CMSC payments under the contracts. Our understanding is that the implementation of locational marginal pricing and adoption of single scheduling will impact CMSC – reducing or eliminating CMSC.</p> <p>The Supplier asks the IESO to confirm its views/expectation about how CMSC payments could be impacted for contracts under MRP. Without a clear understanding of expected impacts, we are not in a position to propose changes that could restore these contracts back to their original intent.</p>	<p>Correct, the MRP market rule amendments will eliminate CMSC. Please refer to the respective market rule amendments for the discussion of Make Whole Payments and please see response 3.1 above related to the interaction of Make Whole Payments with these Contracts.</p>

Contracts with the IESO as MMP

No.	Feedback	IESO Response
4.1	<p>It is recommended that IESO review the draft amendment for RES I contracted facilities with IESO as MMP to hold the contract amendment true to the original formula, removing incremental risk of price and schedule deviations associated with the IESO's market restructuring. It is further recommended that IESO consider clarifying the applicability of DAM and RTM MWPs and how they will interact with the MRP-related contract amendments.</p>	<p>Regardless of metered market participant (MMP) designation, the term sheets are intended to (a) provide economic equivalence to Suppliers who offer the full IESO forecast capability of their facilities into the DAM at the reference price of \$0.00/MWh and (b) also allow the opportunity submit their own forecast and price into the DAM and take the benefit or loss arising from their departure from that reference basis.</p> <p>For contracts with the IESO as MMP, the impact of a DA schedule different from the RDAQn needs to flow through the contract settlement to the Supplier. The formula in the term sheet is designed to achieve this.</p> <p>Please see the response to 3.1 above for further clarification on the applicability of Make Whole Payments.</p>

Non-Market Participant Contracts (most distribution-connected facilities)

No.	Feedback	IESO Response
5.1	<p>While the IESO has provided a term sheet for our transmission-connected assets, we have not yet received anything for our distribution-connected assets. We note that there is less than two years to the MRP implementation date and the IESO has been silent on amendments to distribution-connected assets. We think</p>	<p>For non-market participant contracts, which includes most distribution-connected assets, the OEB will determine the successor to HOEP through an update to the Retail Settlement Code. Until this has occurred, the IESO cannot meaningfully comment on any required amendments.</p>

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	that the IESO needs to redouble its efforts to provide a similar term sheet for distribution-connected assets.	If it is the Ontario Zonal Price (OZP), then the IESO has no reason to believe the risk exposure will be materially different than HOEP.
5.2	<p>It is recommended that IESO put forward a proposal for the treatment of ERG pricing, publish that proposal for stakeholder feedback, and work with the OEB, LDCs and stakeholders to amend the Retail Settlements Code promptly.</p> <p>The proposal should be consistent with the principles of the MRP, and should be consistent with the future procurements planned for incremental renewable resources.</p>	The IESO is actively engaged with the OEB to identify any regulatory changes needed to support the implementation of the changes from the MRP.
5.3	We remain of the view that the term sheet generally appears to accurately reflect the formula for calculating contract payments presented during the April 1, 2019 webinar presented by the IESO (and subsequent materials); however, our previous comments regarding distribution-connected assets remain valid today. We look forward to the IESO providing a similar level of detail for that asset class.	Please see the response to 5.1 above regarding non-market participant Contracts including most distribution-connected assets.
5.4	As the IESO is preparing a distribution-connect FIT contract amending term sheet, we would encourage the IESO to include provisions which maintain the current level of negative pricing risk exposure for this class of facilities.	Please see the response to 5.1 above.