

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-00455-R00, MR-00461-R01

Title: Market Renewal Program: Market Power Mitigation

Date of Assessment: March 22, 2022

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:

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- 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.

Stakeholder Comments:

There were no comments from stakeholders with respect to the impact of the market rule amendments on consumers related to price, reliability, or quality of electricity service.

Technical Panel and Stakeholder Comments - Other:

While the following comments do not pertain directly to the impacts of the market rule amendments on consumers related to price, reliability, or quality of electricity service, key areas of concerns from stakeholders by resource type are as follows:

Thermal:

- It is challenging to evaluate the MPM rules without being able to see the entirety of the Market Renewal Program (MRP) market rules set.

IESO response: The IESO introduced the concept of "provisional" recommendations to enable the Technical Panel to revisit previous batches before making a final recommendation once all the batches are complete.

- Reference level consultation is administratively burdensome.

IESO response: The IESO has significantly simplified the process as a result of stakeholder feedback and continues to be open to other opportunities.

- The Independent Review Process (IRP) offers insufficient recourse and questions remain about particular procedural details.

IESO response: Specific concerns with the process have not been articulated. The IESO has committed to include more IESO process transparency related to the IRP in the market manuals.

Hydro:

These stakeholders echoed the same concerns as thermal generators and additionally:

- Complying with regulatory or other operational requirements could be more challenging due to MPM.

IESO response: Market participants will be able to meet their obligations under MRP the same way they do today. In addition, MRP includes improvements in the manner in which the IESO models hydroelectric resources that should reduce existing operational challenges.

- Valuing fuel for hydroelectric resources is challenging.

IESO response: The IESO has incorporated all provided stakeholder input on the valuation methodology. The IESO continues to be open to further refinements.

Energy Storage:

- Contracts incent a certain type of participation that may be inconsistent with the MPM framework.

IESO response: The MPM framework is applied fairly and consistently to all market participants and does not vary according to contract provisions.

- It is challenging to evaluate the MPM rules without being able to see the entirety of market rule amendments for MRP.

IESO response: The IESO introduced the concept of "provisional" recommendations to enable the Technical Panel to revisit previous batches before making a final recommendation once all the batches are complete.

Wind, Solar and Nuclear:

- Wind, solar and nuclear resources have been focused on avoiding significant administrative burden or having increased operational risks.

IESO response: The IESO has been open to suggestions from market participants to significantly reduce administrative burden and has clarified that there is no expected impact to operations.