

June 8th, 2018

**Marketing d'énergie HQ Inc. /
HQ Energy Marketing Inc.**
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Attention: Stakeholder engagement

Subject: Comments of HQ Energy Marketing Inc. (“HQEM”) on treatment of the Intertie Congestion pricing in the Single Schedule Market initiative.

Please find below HQEM’s feedback, as requested in the June 7th meeting.

First of all, HQEM commends the Independent Electricity System Operator (“IESO”) for providing stakeholders with opportunity to comment on the Single Schedule Market (“SSM”) initiative, especially on the treatment of Intertie Congestion Pricing (“ICP”), as a part of the upcoming Market Renewal.

HQEM would like to comment on two specific slides¹ (included as appendix A – Slide #52 and appendix B – Slide #53) which were originally presented on September 21st 2017. The purpose of this letter is to explain the calculation HQEM has made on this market design, as requested by a market participant, on June 7th.

First of all, HQEM would like to mention that the following calculations were made as if transactions were export congested, since those have historically displayed a non-negligible number of occurrences. Also, HQEM would like to note that the chosen locations reflect locations where HQEM is more active. On appendix B, five locations are represented. Out of those five, one represents sales from the IESO to the Midwest ISO (“MISO”), export congested 84,4% of the time, and another one represents sales from the IESO to the New York ISO (“NYISO”), export congested 40,4% of the time. Those two southern locations affect the following types of transactions:

- Back to Back transactions between two ISOs
- Wheel Through transactions

¹ <http://www.ieso.ca/-/media/files/ieso/document-library/engage/ssm/ssm-20170921-price-formation-options.pdf?la=en>
Slides 52 and 53

HQEM would like to continue the analysis with appendix A. Considering the impact on a transaction between the IESO and MISO:

- 84,4% of the hours are export congested, as previously mentioned. (see appendix B)
- 62,6% of the hours would be at a disadvantage for an external marketer versus the status quo (option 1) (percentage based on 2016 numbers)
- $(84,4 * 62,6) = 52,83\%$ → Half of the hours would be at a disadvantage compared to status quo

The same calculation can be made using a transaction between the IESO and NYISO:

- 40,4% of the hours are export congested, as previously mentioned. (see appendix B)
- 62,6% of the hours would be at a disadvantage for an external marketer versus status quo (option 1) (percentage based on 2016 numbers)
- $(40,4 * 62,6) = 25,29\%$ → A quarter of the hours would be at a disadvantage compared to status quo

It is stated in appendix A that, based on 2016 numbers, 62,6% of the hours, an external generator would be disadvantage from the current method used by the IESO. HQEM took this percentage, and merged it with the number of export congested hours shown on appendix B.

With such a significant percentage of occurrences as demonstrated, HQEM would not support an option which disadvantages an external generator versus an internal one. Only based on the mechanism of hedging a real time (“RT”) flow with a virtual transaction, this would bring an unfair treatment to an external market participant in comparison to an internal generator, who will be able to perfectly hedge its financial position.

Even with the event of a Day-ahead Market (“DAM”), there are several examples of situations where RT transactions would be necessary:

- when an Intertie is returning after an outage and the DAM window is closed,
- when a market participant is not accepted in the IESO’s DAM or in another ISO, and that participant wants to offer their production in RT or simply
- when a marketer wants to do a direct RT sale in the IESO.

For all these reasons, HQEM is not supportive of the proposed market design. Nevertheless HQEM is looking forward bringing elements to the discussion and continue the dialogue as a fair design can be put in place. During June 7th, the IESO mentioned they would be listening and willing to study other options market participants would suggest. HQEM would like to request the deadline to suggest an alternate option to those already proposed.

Best regards,



Frédéric Bélanger
Manager, Regulatory Affairs, HQEM

Analysis: Intertie Congestion Pricing

- Options are equivalent when there is no congestion



Intertie Congestion Frequency (% of Hours)

