

# Market Power Mitigation – Stakeholder Engagement Session. March 27, 2018

## Minutes of Meeting

<b>Date held:</b> March 27, 2018	<b>Time held:</b> 12:00am - 4:00pm	<b>Location:</b> Four Points Hotel, Toronto International Airport
<b>Company</b>	<b>Name</b>	<b>Attendance Status</b> (A) Attended; (WebEx) Attended via WebEx; (TC) Attended via teleconference
ADG Group	Betchev, Atanas	A
ADG Group	Cai, David	A
AMP	Luukkonen, Paul	TC
AMPCO	Anderson, Colin	A
APPrO	Butters, David	A
Bruce Power	Dalzell, Pat	A
Bruce Power	Xu, Jennifer	A
Capital Power	Rob, Colin	TC
Centre Lane Trading Ltd.	Nikkel, Jonathan	WebEx
Charles River Associates	Cary, Robert	WebEx
Customized Energy Solutions	Withrow, David	WebEx
Emera Energy	Ferguson, David	A
Enbridge	Kemp, Heather	WebEx
Goreway	Coulbeck, Rob	WebEx
Goreway Power Station	Sutherland, Chris	A
HQEM	Belanger, Frederic	WebEx
MAG Energy	Bordeleau, Patricia	WebEx
MAG Energy	Villeneuve, Alexandre	WebEx
Market Surrveillance panel	Shalaby, Amir	WebEx
Ministry of Energy	Qureshi, Musab	A
Non-Profit	Magder, Nathaniel	WebEx
NRG	Popova, Julia	WebEx
Ontario Citizens' Coalition for Clean Affordable Energy	Fortin, Michel	A
Ontario Power Generation	Harrison, Ken	A

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Ontario Power Generation	Mo, Herman	A
Ontario Power Generation	Wizniak, Lynn	A
Power Advisory LLC	Cumming, Alison	A
Resolute	Degelman, Cara	WebEx
SNC-Lavalin	Ahmed, Mohamed	WebEx
TransCanada Energy Ltd.	Kuntz, Margaret	A
TransCanada Energy Ltd.	Van Norman, Tom	A
TransCanada Energy Ltd.	Vasquez, Nora	A
TransCanada Energy Ltd.	Luthra, Amit	WebEx
Wasser Resources Inc.	Ahmad, Tanveer	A
Wasser Resources Inc.	Wasser, Leon	A
Workbench Corp.	Sears, Heather	A
WPD Canada	Long, Jesse	A
FTI Consulting	Harvey, Scott	A
FTI Consulting	Pope, Susan	A
FTI Consulting	Cavicchi, Joe	WebEx
IESO	Diebel, Sarah	A
IESO	Kamstra, Pat	A
IESO	Kandola, Shanjeet	A
IESO	Matsugu, Darren	A
IESO	Scratch, Jonathan	A
IESO	Backman, Karen	A
IESO	Ellard, Barbara	A
IESO	Gojmerac, Mark	A
IESO	Umeike, Ekene	A
IESO	Doyle, Robert	A
Prepared by Ekene Umeike, please report any corrections, additions or deletions e-mail to <a href="mailto:engagement@ieso.ca">engagement@ieso.ca</a>		

All meeting materials are available on the IESO web site at: <http://www.ieso.ca/-/media/files/ieso/document-library/engage/dam/market-power-mitigation.pdf?la=en>

## **Introduction, Review of Agenda and Meeting Objectives – Robert Doyle, IESO**

The IESO welcomed participants and outlined the day's objectives and agenda.

### **Market Power Mitigation - Jonathan Scratch, IESO**

The IESO led stakeholders through a discussion of various aspects of the proposed Market Power Mitigation framework, which will be based on a conduct and impact test, as it will apply to the Energy Workstream of the Market Renewal Program.

A participant asked whether the IESO has considered how Market Power Mitigation will be covered in the High Level Design documents. The participant wanted to know whether there would be a standalone Market Power Mitigation document or whether the topic will be covered across the documents of individual projects under the Market Renewal Program.

*The IESO explained that no decision has been taken yet on how the topic of Market Power Mitigation and the related interdependencies across projects will be presented in the High Level Design documents, but discussions on the details are ongoing.*

A participant asked whether the IESO could provide specific examples of the two approaches (slides 20-22) for determining cost-based reference levels.

*The IESO explained that in the approach favoured by SPP for example, market participants determine their reference levels in accordance with rules set out in the relevant market manual while in the other approach favoured by ISO-NE, market participants are able to use a cost based reference level or one based on historical offer prices. In both approaches, the reference levels are known to the market participant. The IESO added that the key difference between both approaches is the level to which conduct thresholds are set.*

A participant asked whether the IESO intends to choose one approach or will make both approaches available to market participants.

*The IESO explained that the possibility of combining both approaches has not been considered but no decision has been taken yet. The IESO added that a single approach may be preferable in order to ensure that all market participants are subject to the same conditions.*

A participant suggested that in a past presentation on Market Power Mitigation, the IESO had described another jurisdiction in which there are three options available and whichever the Dispatch Scheduling and Optimization process can run through quickest is favoured. The participant asked whether that is something the IESO is considering for Ontario.

*FTI explained that there are multiple options within the approach used by NYISO, ISO-NE and MISO which can allow market participants the option to define the order in which their reference levels (i.e., offer based, LMP based or cost based) could be used.*

A participant asked the IESO to describe the pros and cons of each approach.

*The IESO explained that the first approach usually allows a bigger buffer on the conduct threshold, but when costs are pre-determined, there could be a difference of opinion over which costs should be included in the reference level. The IESO added that while the second approach allows market participants the flexibility to report their own costs, those costs would be based on the market participants' possibly subjective interpretation of the rules for determining those costs resulting in inconsistency among market participants.*

A participant asked how disagreements are addressed in other jurisdictions under the first approach.

*FTI explained that market participants are able to have discussions with the market monitor about any elements of the calculations that they disagree with.*

A participant asked whether gas delivery and management costs for gas generators will be part of the reference price or the commitment cost.

*FTI explained that to the extent that there are marginal costs associated with the delivery of gas those costs should be reflected in the spot price of fuel.*

The participant then added that identifying the locations of constrained zones within Ontario and what technologies are within those zones will be necessary to inform the choice between the approaches presented as options for determining reference prices. The participant suggested that these factors will impact generators differently and as such it might be appropriate to weigh comments on this issue differently depending on their source.

A participant asked how often participants have to make submissions under the second approach.

*FTI responded that daily submissions have been the approach in PJM but though they are facing challenges and are considering allowing intra-day submissions. For participants with indexed costs, FTI explained that submitted costs can change hourly as the index varies.*

The participant then pointed out that some gas generators may not have sufficient gas scheduled for delivery to support full capacity utilization and that such plants optimize the gas they have available to determine their offers for the day and maximize their profits. The

participant asked how the second approach to determining reference levels can be designed to allow such generators to vary their offers throughout the day without being penalized.

*FTI explained that market participants do not face any penalties as long as they do not fail the conduct and impact tests. So if a generator varies prices throughout the day in a way that does not impact clearing prices, market power mitigation will not be triggered.*

A participant said that there have been debates in the past about what should be included in the market rules versus the market manual. The participant then asked the IESO to confirm that support for the second option will not be interpreted as support for adding relevant rules to the market manuals but that if a decision is made to go forward with that option, a discussion would then be held on where the relevant rules will be documented.

*The IESO agreed that support from stakeholders for the second option will not automatically imply that the rules will be documented in the market manuals.*

A participant asked whether the second approach was analogous to current Generator Cost Guarantee program.

*The IESO agreed that the second approach is closer to the current program than the first approach.*

A participant acknowledged that it is the IESO's intent to be flexible in how mitigation is applied, but expressed concern about follow through with those intentions. The participant reiterated a desire for stakeholder comments to be taken seriously during the design process.

A participant asked whether the IESO will be using the same ten transmission zones in the future as are currently utilized.

*The IESO responded in the affirmative.*

A participant asked whether the IESO has decided that it will not apply Market Power Mitigation in Broad Constrained Areas as long as there are no constraints or to apply measure ex-post when necessary. The participant also asked whether the IESO wants comments on conduct thresholds.

*The IESO responded that no decision has been made on what approach is best suited for Ontario and that stakeholder comments will be welcome to help inform discussions.*

A participant asked how market participants are informed that they have failed the Market Power conduct and impact tests.

*FTI explained that in some jurisdictions, the generators get notices but in some others communication is not quite as effective as it should be and generators may not be sure when their offers have been mitigated.*

The participant then asked whether the IESO currently has a preference for how it would like to communicate the outcomes of these tests with generators.

*The IESO acknowledged the importance of a communication tool and added that consideration of how test outcomes will be communicated to market participants will be part of the detailed design process.*

## **Physical Withholding - Mark Gojmerac, IESO**

The IESO led stakeholders through a discussion of current thinking on how risks associated with physical withholding will be managed within the Market Power Mitigation framework.

A participant asked whether physical withholding tests will be applied to only the day-ahead timeframe or will it also apply to the ERUC and real-time timeframes as well.

*The IESO responded that they will be applied across all timeframes.*

A participant asked whether physical withholding conduct thresholds be applied on a 24x7 basis and whether it will mean additional obligations on existing contract holders that are currently subject to a 16x5 requirement.

*The IESO explained that the physical withholding test will apply for all hours of the day. However, the value of the reference quantity on which the test is based will be allowed to vary.*

A participant asked how quickly a determination has to be reached as to whether physical withholding has occurred.

*The IESO responded that it varies across jurisdictions. The IESO added that given the manual nature of the process and the need for data gathering, the process could take days or weeks. In general, it is likely to vary from case to case.*

A participant asked whether physical withholding is specific to offered quantities or also applicable to operating below dispatch.

*The IESO responded that it also applies to operation below dispatch.*

A participant asked what dispute mechanisms will be available to market participants in the event of a disagreement over physical withholding.

*The IESO responded that current thinking is that disputes could be resolved through MACD but acknowledged that the dispute resolution process will require further discussion later in the project.*

A participant asked the IESO to explain how the must-offer requirements under the Incremental Capacity Auction relate to the physical withholding rules under the energy workstream.

*The IESO explained that the must-offer rules under the Incremental Capacity Auction are unrelated to the exercise of market power for the purposes of economic or physical withholding as defined in the energy workstream. The IESO added that to make the distinction clearer, the 'must-offer requirement' design element in the day-ahead market design, has been renamed 'reference quantity'.*

A participant asked whether physical withholding tests will be evaluated on site aggregated volumes or at the generator level.

*The IESO responded that that evaluations will be made at the registered market resource level. Some market resources are registered to represent individual generators while others are registered to represent a collection of generators at the same site.*

A participant asked whether the IESO is considering accommodations for gas plants that may be unable to supply at their full capacity as a result of gas supply challenges.

*The IESO responded in the affirmative.*

## **Mitigation for Economic Withholding – Jonathan Scratch, IESO**

A participant asked whether Market Power Mitigation will be applied to all dispatchable market participants or just for generators.

*The IESO explained that the issue is under consideration. FTI added that in other jurisdictions, there are ex-post provisions to curtail strategic behaviour through which loads may attempt to withhold supply in the day-ahead timeframe and then show up in real-time in an attempt to suppress day-ahead prices.*

The IESO thanked participants and reiterated feedback is appreciated and should be sent to: [engagement@ieso.ca](mailto:engagement@ieso.ca).