

A FORTIS COMPANY

**MEMO**

**Date:** June 2, 2017

**To:** Barbara Ellard, Independent Electricity System Operator

**Cc:** IESO Stakeholder Engagement

**From:** Terry Harvill, ITC Holdings Corporation

**RE:** Response to IESO's Single Schedule Market Draft Stakeholder Engagement Plan and Forthcoming High Level Design

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ITC Holdings Corporation (ITC) respectfully offers the following input in response to the Independent Electricity System Operator's (IESO) request for such from stakeholders as part of the Market Renewal Process (MRP) on the draft Single Schedule Market (SSM) Stakeholder Engagement (SE) Plan<sup>1</sup> and the to be developed SSM High Level Design (HLD).

With respect to the draft SSM Market Renewal SE Plan and the to be developed SSM HLD, ITC offers the following comments:

The SSM will be the first design engagement to take place under the Energy workstream for Market Renewal. ITC understands that the IESO's rationale for replacing the two-schedule system with a SSM pricing and dispatch system as the primary step in Market Renewal is that it will enable the other energy market initiatives.

ITC supports a transition away from the current two-schedule pricing system and transitioning toward a single schedule market structure. Among other benefits, some facilitating features of a SSM such as locational marginal pricing (LMP) provide greater price transparency at the interties. A transition to LMP will also provide alignment with other markets which will contribute to improvements in market efficiencies and gains from trade.

The draft SE Plan correctly identifies<sup>2</sup> that there will be interface points between the SSM and other Market Renewal work streams. However it is unclear if or how design elements of other work streams will be considered under the SSM. IESO has provided an overview of timelines for activities relating to the SSM (under the Energy work stream) and incremental capacity auction

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<sup>1</sup> *Market Renewal – Single Schedule Market Stakeholder Engagement Plan* available here: <http://www.ieso.ca/en/sector-participants/engagement-initiatives/engagements/market-renewal-single-schedule-market>

<sup>2</sup> See page 6 of SE plan.

(ICA, under the Capacity work stream). Activities planned under the Operability work stream (such as more frequent intertie scheduling) are not scheduled to commence in advance of Q4 2017<sup>3</sup>. If in fact the high level design activities surrounding more frequent intertie scheduling will not be formally initiated until Q4 2017, elements of that process will have to be incorporated into the SSM design, as clear linkages exist between price setting and intertie scheduling. For example, inefficiencies associated with the current two-schedule system are accentuated in transactions that occur at Ontario's interties with neighboring jurisdictions<sup>4</sup>:

- The two-schedule system could frustrate exporter transactions that would otherwise be done at the interface. An exporter buying energy at Ontario's uniform price and seeking to export it to a neighboring jurisdiction may not transact, even if the actual cost to generate that energy, as measured by the nodal price nearest the intertie, is lower than the uniform price.
- Otherwise economic imports may not be transacted because Ontario's uniform price would apply and result in the prevention of serving load with lower cost generation.

ITC therefore strongly recommends that the schedule for high level design of Operability work stream elements be advanced in order better align this work with the interrelated Energy work stream design.

In late 2016, the IESO indicated that a fourth work stream (the Contracts work stream) was to be added to the MRP. However, within the presentation given at the introductory SSM meeting<sup>5</sup>, IESO indicated that Market Renewal consists of only three distinct work streams (Energy, Capacity, and Operability). IESO's revised approach based on stakeholder feedback is for contract interactions with Market Renewal to be addressed in a parallel manner. For this reason, a high-level overview of potential contract amendments resulting from the MRP was given by the IESO<sup>6</sup>. Absent from the presentation was a discussion regarding environmental products such as Environmental Attributes (EAs) and Renewable Energy Credits (REC). ITC suggests that the IESO put more emphasis on enabling the 'unlocking' of EAs/ RECs and facilitating trading of renewable generation and environmental products over interties, which would be supportive of Government climate change policies in Ontario and other jurisdictions.

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<sup>3</sup> Refer to slide 24 of May 4, 2017 presentation, available here: <http://www.ieso.ca/en/sector-participants/engagement-initiatives/engagements/market-renewal-single-schedule-market>

<sup>4</sup> For more on this, see page 8 of MSP report: See page 8 of [http://www.ontarioenergyboard.ca/oeb/Documents/MSP/MSP\\_CMSC\\_Report\\_201612.pdf](http://www.ontarioenergyboard.ca/oeb/Documents/MSP/MSP_CMSC_Report_201612.pdf)

<sup>5</sup> Refer to slide 9 of May 4, 2017 presentation, available here: <http://www.ieso.ca/en/sector-participants/engagement-initiatives/engagements/market-renewal-single-schedule-market>

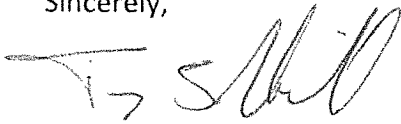
<sup>6</sup> Refer to slide 37 of May 4, 2017 presentation, available here: <http://www.ieso.ca/en/sector-participants/engagement-initiatives/engagements/market-renewal-single-schedule-market>

With respect to the MRP overall, ITC offers the following comments:

As noted in ITC's earlier submissions to the IESO regarding the MRP and the Benefits Case findings, ITC commends the efforts of the IESO to evolve Ontario's wholesale electricity market and to improve market transparency and efficiency. ITC believes increasing compatibility with U.S. market designs will improve market efficiencies and gains from trade resulting from intertie transactions. ITC is therefore supportive of the MRP.

ITC thanks the IESO for the opportunity to provide feedback and looks forward to continued participation within the stakeholder engagement process.

Sincerely,

A handwritten signature in black ink, appearing to read "T. S. Harvill". The signature is written in a cursive style with a large, sweeping initial "T".

Terry S. Harvill  
President, Grid Development  
ITC Holdings Corp