

August 13, 2018

## MAG Energy's Feedback to Single Schedule Market, July 18<sup>th</sup>

MAG Energy would like to take the opportunity to comment on the SSM presentation of July 18<sup>th</sup> regarding design element Intertie Congestion Pricing. MAG appreciates the new option brought forward by the IESO and would like continue to participate in the discussion.

Regarding option 3, it is a step in the good direction as it will take care of the problems stated in the previous documents we submitted June 12 for RT exports in an export congested intertie. Method 3 is definitely a better choice than method 2. In the current state of the IESO, export congested interties happen more often than import congested interties. If it stays this way in the extended future, then method 3 would solve the majority of the issues.

For import congested lines however, our concerns remain with method 3. As we presented in our previous documents, we feel there are issues with creating the right market incentives because:

- Importers will have an incentive to reduce volume at the interties. If RT prices are higher than PD prices, they can receive higher payment if the line is not fully scheduled.
- Importers will have an incentive to increase their offer price. They may receive exactly their price as a payment if the line is fully scheduled, hence the incentive to bid higher.
- Importers will have a greater risk in most situations. For more details, please refer to our previous document for a complete example.

Even after the presentation of method 3, MAG would still suggest that the IESO opt for method 1. This option has been giving good results in other markets such as NYISO and CAISO and is offering efficient market dynamics that could optimize intertie efficiency, i.e. bring energy from the lower priced market to the higher priced market. This can be achieved by implementing good incentives for intertie transaction and method 1 seems to be the best method to reach this objective.

We have two questions:

- 1- MAG would like to understand, either with method 1 or 3, what will happen with the intertie congestion that is collected in RT? This money will not be distributed to TR holders as it is today since there will be no such product. This could represent huge amounts that need to be thought of at this time in the process.
- 2- MAG would like to know how wheel-through transactions would be treated if the import in IESO is made at a fully scheduled intertie under method 3?

In summary, MAG thinks that method 3 is a good idea since it is the same as method 1 for exports, while for imports our concerns remain even while the IOG payments bring a different dynamic. Method 1 seems to be a better all-around solution but method 3 would be the secondary option.

Regards,

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