

MRP - Single Schedule Market | High Level Design

Stakeholder Feedback Form

<p>Date Submitted: 2018/11/22</p> <p>Feedback Due: November 22, 2018</p>	<p>Feedback provided by:</p> <p>Company Name: Hydro Ottawa</p> <p>Contact Name: Gregory Van Dusen, Director, Regulatory Affairs</p> <p>Phone: [REDACTED]</p> <p>Email: [REDACTED]</p>
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The Market Renewal Project (MRP) released a draft of the High Level Design (HLD) for the Single Schedule Market (SSM) on **September 27, 2018**. In order to allow interested parties an opportunity to provide meaningful feedback on the HLD, the IESO has provided an eight week review period which concludes on **November 22, 2018**.

The SSM HLD first draft can be accessed [here](#).

This feedback form is intended to help organize stakeholder feedback in two key areas of interest to the IESO. If stakeholders have additional input, they are encouraged to provide those thoughts in the “Other Feedback/Considerations” section of the form.

Stakeholder feedback is due by Thursday November 22, 2018 to IESO Engagement at: engagement@ieso.ca

Design Element	HLD Page Reference	Stakeholder Feedback	
		Request for Clarification/Education	Considerations for Detailed Design
Price Formation	8-32	<ul style="list-style-type: none"> • Hydro Ottawa requests additional information from the IESO on what analysis – if any – has been performed regarding the potential implications of adopting locational marginal prices (LMPs). • For example: <ul style="list-style-type: none"> → Does the proposed segmentation of Ontario into 10 different electricity zones take into consideration the generation resource potential of each zone? → Will the adoption of LMP pricing result in the development of new generation/supply resources in closer proximity to load? → If LMP pricing incentivizes the development of new generation resources in closer proximity to load, will this reduce the need for long-distance transmission assets? Similarly, will there be a risk of transmission assets being stranded, and if so, which entity should bear those costs? → Is a logical offshoot of the adoption of an SSM a movement away from Uniform Transmission Rates? Is the IESO planning to argue in favour of such a change? 	<p><u>Interplay with Retail Electricity Prices/Regulated Price Plan (RPP) & Global Adjustment (GA)</u></p> <ul style="list-style-type: none"> • The HLD is silent on the potential interplay with, and impacts on, retail electricity pricing and GA. • In certain discussions with stakeholders (e.g. September 18, 2018 webinar session for LDCs), IESO stated that it would not be addressing issues related to the RPP and GA, as these matters are outside of IESO’s purview. • Nevertheless, Hydro Ottawa believes that the impacts on retail pricing and GA must be considered as part of SSM design and implementation. Development of an SSM should not be done in isolation of key components of Ontario’s regulatory and pricing regimes. • While adoption of an SSM may place downward pressure on electricity commodity prices, it appears that the practical effect of this may simply be to shift greater costs to GA. • Hydro Ottawa believes that much more discussion and consideration of these matters is required. To that end, Hydro Ottawa requests that the IESO engage representatives from the Ontario Energy Board (OEB), Ministry of Energy, Northern Development, and Mines (ENDM), and other stakeholders in an open and formal dialogue regarding the potential effects of an SSM on the RPP and GA.

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Market Power Mitigation	33-42	None	None
Load Pricing	43-52	<ul style="list-style-type: none"> • What changes to the IESO’s settlement processes with LDCs will be necessary to effectuate the pricing changes that are contemplated under the HLD? • What are the implications of zonal pricing for an LDC whose service territory straddles multiple zones? 	<ul style="list-style-type: none"> • Hydro Ottawa has significant concerns with the proposal to allow non-dispatchable loads to elect to have their settlement price determined on a nodal basis: <ul style="list-style-type: none"> → This will present a significant administration burden for LDCs. → It is unclear which entity will hold the variance which will result from a customer’s switch from zonal to nodal pricing. Hydro Ottawa does not believe that it is fair for LDCs to be responsible for holding this variance.
Settlement Topics	53-56	None	None

Other Feedback / Considerations

(1) Cost-Benefit Analysis

As a general matter, Hydro Ottawa recognizes the merit and potential benefits of LMP pricing. However, any proposal for the adoption of LMP should be accompanied by a rigorous, clear demonstration of the costs and benefits associated with the proposal. Hydro Ottawa respectfully submits that such analysis is lacking in the HLD.

IESO asserts that the SSM will result in lower prices and costs for market participants and consumers alike. However, the SSM HLD does not include any cost-benefit analysis. Mindful that the HLD is indeed high-level, Hydro Ottawa nevertheless believes that the inclusion of a cost-benefit analysis of some kind would be appropriate for a proposal of this nature. Hydro Ottawa likewise believes that there should be a discussion of the estimated implementation costs associated with the HLD (i.e. implementation costs for all parties, not just the IESO).

(2) Level of Detail

It is challenging to comment on many aspects of the HLD in the absence of more detailed information. Hydro Ottawa looks forward to receiving additional details on the proposal once the Detailed Design (DD) is released and will likely have further feedback to offer at that time.

(3) Customer Impacts

It is unclear to Hydro Ottawa what the impacts will be for commercial customers who are not on the RPP and who are not IESO Market Participants. How will they be affected by the adoption of the pricing structures contemplated under the HLD? In addition, how does the IESO intend to educate customers and raise awareness about the proposals and changes that are contemplated under the HLD?

(4) IESO & Market Rules Governance

The SSM HLD arguably brings several important governance-related considerations to the fore. It is Hydro Ottawa's understanding that the implementation of the SSM as proposed, and the corresponding movement away from the use of the Hourly Ontario Energy Price (HOEP), would simply require amendments to IESO's Market Rules. However, under the IESO's current governance structure, the processes in place for amending the Market Rules grant exclusive decision-making authority to the IESO Board. IESO's Technical Panel, along with other stakeholders, are limited to providing input and recommendations to the IESO Board on any proposed Market Rule amendment. In contrast, in other ISO/RTO markets stakeholders have the ability to vote on proposals that are brought forward for formal consideration.

It seems reasonable to argue that the time may have arrived for implementing changes to IESO's governance and decision-making processes which are commensurate with the scale and significance of the SSM HLD and the other reforms that are being contemplated as part of Market Renewal. In particular, changes ought to be considered that enhance the voice of stakeholders and their participation in decision-making. Hydro Ottawa is aware that these issues are being looked at in the context of a separate IESO stakeholder engagement. However, it seems both appropriate and necessary to ensure that these issues are flagged in the specific context of the SSM HLD as well.