

# MRP - Single Schedule Market | High Level Design

## Stakeholder Feedback Form

<b>Date Submitted:</b> 2018/11/22	<b>Feedback provided by:</b>
<b>Feedback Due:</b> November 22, 2018	Company Name: Ontario Energy Association
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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](mailto:engagement@ieso.ca)

Design Element	HLD Page Reference	Stakeholder Feedback	
		Request for Clarification/Education	Considerations for Detailed Design
Price Formation	8-32		<p><b>2.3 Energy Price - Loss Component</b> 2.3.2 Decisions - ... The IESO has also determined that dynamic loss factors will be used, where technically feasible, to more accurately calculate losses.</p> <p><b>Response - Erratic dispatches were observed when dynamic loss factors were utilized at market opening in 2002. Two resources with the same offer price but connected to two different circuits were dispatched up and then down in alternating intervals. For example: Interval 1 – resource 1 dispatched to 50 MW and resource 2 to 0 MW. The dynamic loss factor calculates the dispatch for the next interval and dispatched resource 1 to 0 MW and resource 2 to 50 MW. The dispatch was the result of the dynamic loss calculating the resource that has been dispatched up is now more expensive than the unit at 0 MW due to the losses on the line with the incremental flow.</b></p> <p>The OEA agrees the current seasonal adjustment of the loss factors may be too infrequent but dynamic loss factors calculated every dispatch interval may be too frequent. Further discussions on this design element are required.</p>

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Market Power Mitigation	33-42		<p><b>3.1 Timing of Application</b>  <b>3.1.2 Decision – Ex-ante</b></p> <p><b>Response - The OEA has no concern with the ex-ante application of market power mitigation as the prices and schedules produced will be utilized in the settlement process.</b></p> <p><b>3.2 Mitigation Process</b>  <b>3.2.2 Decision -</b> The IESO has determined that a conduct and impact test will be used for market power mitigation.</p> <p><b>Secondary Decisions -</b> Secondary design element decisions have been made by the IESO with respect to the following:</p> <ul style="list-style-type: none"> <li>Conduct and impact thresholds - The IESO will designate conduct and impact thresholds that determine what level of offer price and what price impact will trigger mitigation. represented by percentage or fixed dollar per megawatthour values, these thresholds will be added to the reference levels (the proxies for competitive offers) to determine when to mitigate ex-ante. In general, the conduct and impact thresholds will be higher in areas with significant competition and lower in areas where competition is restricted.</li> </ul> <p>The IESO will use the following guidelines to develop specific conduct and impact thresholds during</p>

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			<p>detailed design. The conduct and impact thresholds will:</p> <ol style="list-style-type: none"> <li>1. Promote market outcomes that are consistent with those that would result under competitive participation;</li> <li>2. Consider and account for relevant Ontario-specific issues that could otherwise significantly impact the efficiency of the mitigation regime;</li> <li>3. Result in intervention in the market that is no greater than needed to constrain the material exercise of market power;</li> <li>4. Not unnecessarily distort efficient incentives for market participation;</li> <li>5. Balance the administrative burden of maintaining the mitigation regime against the effectiveness of that regime; and</li> <li>6. Become less permissive as competition is more restricted.</li> </ol> <p><b>Response - The IESO has indicated the administrative burden of maintaining the mitigation regime associated with calculating short-run marginal costs may be extensive and may look to use historic LMPs and offers in the initial detail design. Use of historic LMPs and offers may not reflect the current short-run costs due to testing or other offer strategies that would impact historic averages. Though it may require more administrative time the OEA is of the opinion calculated short-run marginal would be most effective.</b></p>

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			<p><b>3.3 Reference Levels</b>  <b>3.3.2 Decisions</b> - The IESO has determined that current principles should continue to be used to establish reference levels for market power mitigation in the SSM. These principles, which govern how the current regime determines reference levels and settlement adjustments, are consistent with those underpinning reference levels under ex-ante mitigation regimes. Moving to an ex-ante mitigation regime does not mean that the general approach adopted by the current market is unviable. However, ex-ante mitigation will require a change in the methodology for determining reference levels, as not all of the information relied upon in the current market to determine reference levels is available on an ex-ante basis.</p> <p><b>Response - The OEA agrees with the process for developing Reference Levels but is concerned with the process to dispute the Reference Levels upon a disagreement. This concern is a broader market governance issue that has been raised previously. We hope the governance issues will be resolved through the recently developed Governance and Decision Making Advisory Group prior to detailed design and implementation.</b></p>

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Load Pricing	43-52		<p><b>4.1.2 Decision</b> – for non-dispatchable resources pricing will be zonal. The zones represent the current 10 electrical zones.</p> <ul style="list-style-type: none"> <li>- Non-dispatchable resources may opt to have settlement at a nodal basis but that option is restricted to a minimum one year commitment to nodal pricing.</li> <li>- Dispatchable load resources will be settled on a nodal basis</li> <li>- DAM also has the ability for non-dispatchable resources to participate at a nodal level as price-responsive loads ... to be discussed in the DAM module.</li> </ul> <p><b>Response - The OEA has no serious concerns regarding the SSM Load Pricing but looks forward to continuing the discussion on non-dispatchable resource participation in the DAM and the nodal level price setting proposal.</b></p>

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Settlement Topics	53-56		No comments on the two settlement design elements.

**Other Feedback / Considerations**

The OEA appreciates the opportunity to provide comments and feedback on the Single Schedule Market (SSM) High Level Design (HLD). The SSM HLD has generally met the Market Renewal principles of efficiency, competition, implementability, certainty and transparency. Moving away from the current two schedule real-time market and developing an SSM using locational marginal prices as defined in the HLD will provide greater efficiency, price transparency and promote greater competition.

Each of the design elements of the SSM HLD have been extensively discussed and debated. Though there may not be one hundred percent agreement of the decisions with regards to each element there has been sufficient discussion to move to the detailed design phase where the debates may continue as each design element is further developed and understood.

The major concern that remains outstanding is not associated with the SSM HLD but relates to overall market governance. As we proceed to detailed design, market participants remain concerned about the resolution of disagreements with regards to design element decisions. But it doesn't end there as the broader governance issues will continue with the development of Market Power Mitigation reference levels. There needs to be an efficient mechanism for market participants to bring forward concerns or disagreements. The OEA recognizes there is ongoing work associated with these concerns and looks forward to the recommendations of the Governance and Decision Making Advisory Group investigating governance.

In closing the OEA commends the IESO and market participants for their perseverance over the last two years in the development of the SSM HLD. We firmly believe the HLD creates a road map to a more efficient market that will benefit all market participants and the consumers of Ontario.