

Memorandum

To: Technical Panel
From: Adam Cumming
Date: May 19, 2020
Re: MR-00443: Transmission Rights Clearing Account (TRCA) Disbursements

The IESO is proposing to amend the market rules that provide the methodology for the disbursement of surplus funds from the transmissions rights clearing account (*TR clearing account*). The proposed change to the market rules would see surplus amounts in the *TR clearing account*, above the reserve threshold, divided among *market participants* based on the type of *transmission service charges* paid.

The total disbursement amount will be divided into two pools based on the type of *transmission service charges* paid by *market participants*. One pool will be disbursed among market participants that have paid *export transmission service (ETS)* charges and a second pool will be disbursed among market participants that have paid provincial transmission service (PTS) charges. Within each pool, disbursements to individual *market participants* will be on a pro-rata basis across all allocated quantities of *energy* withdrawn at either *RWMs* or *intertie metering points*.

Background

In May 2017, the Ontario Energy Board's Market Surveillance Panel (MSP) issued a recommendation to the IESO to A) revise the manner in which it allocates disbursements from the *TR clearing account* such that disbursements are proportionate to transmission service charges paid over the relevant accrual period; and B) not disburse any further funds from the *TR clearing account* until the allocation methodology has been changed.

The IESO engaged the Brattle Group to review the IESO's current disbursement methodology and perform a sector scan to identify best practices in other jurisdictions. The IESO and Brattle issued a public [report](#) in October 2019. The report recommends allocating 100% of the surplus funds to Ontario consumers. The rationale for this approach is that Ontario consumers are responsible for all of the transmission system costs as they would have to pay for the transmission system in the absence of any electricity trades.

The IESO first presented to stakeholders the idea of amending the market rules with the methodology presented in the Battle report (100% of disbursements to internal load) but upon receiving stakeholder feedback has amended the proposed distribution methodology in line with the MSP recommendation which will see disbursements allocated based on percentage of

total transmission service charges paid (approximately 98% to internal load and 2% to exporters).

Stakeholder feedback

The *IESO* has stakeholdered this proposed amendment through the Market Development Advisory Group (MDAG). Information on those sessions, including presentation materials and stakeholder feedback can be found on the [MDAG webpage](#).

Stakeholders, including MAG Energy Solutions Inc., Customized Energy Solutions, and the Association of Power Producers of Ontario (APPrO), raised concerns with the disbursement methodology suggested in the Brattle report. Additionally, MAG Energy Solutions Inc., APPrO, Peak Power, and Customized Energy Solutions raised concerns about the implementation date of the proposed market rule amendment. While the MSP has recommended an immediate implementation for the proposed changes, other stakeholders have suggested a later implementation date to account for long term *Transmission Rights* secured with the current disbursement methodology in the market rules.

The proposed amendment attempts to balance feedback received from the MSP with feedback received from other market participants. The *IESO* has revised their approach to the proposed amendment to follow the disbursement methodology suggested by the MSP, which will see exporters continue to receive a portion of disbursements while ensuring that a greater portion of disbursements are given to the consumers that bear the vast majority of system costs (such as Global Adjustment). The proposed implementation date is also intended to strike a balance between the recommendation of the MSP (immediately suspend all disbursements) and the opinion of other stakeholders who want to see the implementation delayed until after the end of current TR contracts. The proposed approach was stakeholdered at MDAG. Feedback following that meeting continues to show concerns with the methodology and the implementation date. A letter from APPrO and the *IESO* response is contained within this package to provide additional context to support Technical Panel discussions.

Recommendation

This proposal has evolved based on feedback received through the MDAG forum; it is intended to address the MSP recommendation while also acknowledging and incorporating feedback provided by other stakeholders. This amendment will ensure that a greater portion of surplus funds are returned to Ontario consumers, as they pay for the long-term costs of the transmission system and interties through regulated rates. It will also ensure that energy exports more accurately reflect market conditions and are less dependent on exporters receiving *TR clearing account* disbursements.

The *IESO* recommends that the Technical Panel vote to post MR-00443-R00: Transmission Rights Clearing Account Disbursements for broader stakeholder feedback at its May 26, 2020 meeting.

The *IESO* is proposing that this market rule amendment have an effective date of November 1, 2020, in order to align with the *TR clearing account* disbursement schedule. This would allow for the November 2020 *TR clearing account* disbursement to utilize the revised disbursement methodology.

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