

# Memorandum



Independent Electricity System Operator  
1600-120 Adelaide Street West  
Toronto, ON M5H 1T1  
t 416.967.7474  
www.ieso.ca

**To:** **MARKETS COMMITTEE OF THE BOARD OF DIRECTORS of the Independent Electricity System Operator**

**Presenter:** Michael Lyle, Vice President, Legal Resources and Corporate Governance  
Chair, IESO Technical Panel

**Date:** June 6, 2023

**Re:** Market Renewal Program: Interim Alignment Batch (Market Rule amendments MR-00457-R00 to R03 and MR-00461-R03)

**Purpose of Item:** Recommendation for Provisional Approval to the Board

## **Executive Summary:**

The IESO is seeking provisional approval from the IESO Board on proposed market rule amendments related to the Market Renewal Program (MRP) – Interim Alignment batch. This batch includes the following changes:

- Simplification of the structure of the participant authorization rules by further eliminating redundant content and better aligning market rules and market manuals. (MR-00457-R00);
- Clarification of participation options for price responsive loads and further integration of load definitions – Market Entry and Prudentials (MR-00457-R01);
- Introduction of electricity storage resources into previous MRP amendments (MR-00457-R02);

- Further integration of the new defined term 'resource' into the market rules (MR-00457-R03);
- Amendments to Chapter 11 defined terms to support this Interim Alignment batch of market rule amendments (MR-00461-R03).

At the April 18, 2023 Technical Panel meeting, the Technical Panel voted unanimously to provisionally recommend these amendment proposals to the IESO Board.

### **Significant Issues, Risks and Opportunities:**

The Interim Alignment batch advances amendment proposals that would otherwise be required in the Final Alignment batch. This will allow the IESO to reduce the engagement effort that will be required at the later stages of implementation and to test clarifications and refinements to the previously approved batches of the market rules at an earlier stage. Only one significant issue (discussed below), related to price responsive loads, has been raised through consultations with stakeholders. Following discussions at the Technical Panel, the Demand Response and Market Participant Consumers representatives on the Technical Panel acknowledged the IESO's position that the price responsive load issue was not envisioned as part of the scope of MRP, and agreed that the upcoming demand response stakeholder engagement at the June engagement days would be a more appropriate venue for addressing this concern.

### **Background:**

MRP related market rule amendments and market manuals have been presented to stakeholders in "batches." MRP batches released to stakeholders to date include the following:

1. Market Entry and Prudential Support;
2. Market Power Mitigation;
3. Calculation Engines;
4. Interim Alignment;
5. Market Settlements, Metering, Market Billing and Funds Administration;

The interim alignment market rule amendments are the fourth batch of MRP rule amendments. The two remaining batches that will be presented to stakeholders are:

6. Market and System Operations;
7. Final Alignment.

A formal recommendation to the IESO Board with respect to the consolidated suite of MRP market rule amendments will be sought in October 2024 via the Final Alignment batch of rule amendments.

### **Proposal and Analysis:**

This interim alignment batch does not introduce any significant design elements for MRP, and as such has received limited comments from stakeholders. Technical Panel members representing market participant Consumers and Demand Response did express concerns about price responsive loads (PRLs) being ineligible to participate as contributors to virtual hourly demand response (HDR) portfolios. The potential to accommodate such a participation model is outside of MRP's scope. PRLs were introduced as a new, optional resource type to provide an opportunity for load resources to be settled in the day-ahead market based on their bids, potentially giving them more control over their costs than if they register as non-dispatchable loads (NDL). There is no requirement to register as a PRL. To participate in the Capacity Auction, NDL can continue to be a demand response contributor as part of an aggregator's virtual HDR portfolio, or participate as a physical HDR resource as an NDL or by registering as a PRL. Creating a load participation model that supports PRL participation as contributors to virtual HDR portfolios was not identified by the demand response community in the list of IESO priorities for demand responsive initiatives published in March 2021. To the extent that these priorities have

evolved, the IESO is committed to working with the Demand Response community to revisit priorities and is targeting the Engagement Days in June to advance that conversation.

Throughout the Technical Panel and stakeholder review periods, other comments were received and where appropriate, have been integrated into these proposals.

**Next Steps / Implementation:**

I recommend that the Board accept the unanimous vote and provisional recommendation of the Technical Panel to provisionally approve market rule amendments MR-00457-R00 to R03 and MR-00461-R03 – MRP Interim Alignment.

**Requested Committee Resolution:**

The Committee is asked to pass the following resolution:

**CONCERNING** MR-00457-R00 to R03: Market Renewal Program: Interim Alignment and MR-00461-R03: Market Renewal Program: Interim Alignment - Defined Terms, that will clarify and supplement amendment proposals in previously, provisionally approved MRP market rule amendment packages:

- a) **WHEREAS** these proposals, as part of the broader Market Renewal Program, are intended to facilitate an increase in the efficiency of Ontario's electricity markets.
- b) **WHEREAS** the IESO engaged with the Technical Panel and incorporated their suggestions into the proposals.
- c) **WHEREAS** the Technical Panel voted unanimously to provisionally recommend MR-00457-R00 to R03 and MR-00461-R03 to the IESO Board for provisional approval.

**BE IT RESOLVED THAT** the Markets Committee of the IESO Board provisionally recommends that the IESO Board of Directors provisionally approve MR-00457-R00 to R03 and MR-00461-R03.

**BE IT FURTHER RESOLVED THAT** the Markets Committee of the IESO Board reserve its formal recommendation of MR-00457-R00 to R03 and MR-00461-R03, pending its review of the full set of Market Renewal Program market rule amendments and receipt of formal recommendations from the Technical Panel.

Michael Lyle

Cc: IESO Records

Encls.

- a. Market Rule Amendment Proposal forms
  - MR-00457-R00- MRP Interim Alignment – Market Manual and Batch Alignment Items
  - MR-00457-R01- MRP Interim Alignment – Load Resources
  - MR-00457-R02- MRP Interim Alignment – Storage Integration
  - MR-00457-R03- MRP Interim Alignment – Resource Related Updates
  - MRP-00461-R03- MRP Interim Alignment – Defined Terms
- b. Technical Panel materials
  - Memo to Technical Panel from IESO staff, dated April 11, 2023
  - TP member Rationale, dated April 18, 2023
- c. Consumer Impact Assessment
- d. Summary of stakeholder and Technical Panel member comments
- e. Draft Board Resolution