

I. Introduction

Intertie trading provides the IESO with operational and planning flexibility in its day-to-day operations, and significantly enhances the reliability and cost-effectiveness of Ontario's electricity system. Transmission Rights (TRs) were introduced as a risk management tool to enable traders to hedge the financial risks associated with uncertain congestion at the interties. These financial instruments were expected to contribute to the efficient and reliable operation of Ontario's electricity system, by facilitating efficient electricity trade and integration with neighboring markets. It is important to understand how TRs promote efficient intertie trading in today's market.

The Ontario TR market was established at market opening in 2002 and has since been operating largely based on the original design. Over the years, the IESO has received recommendations and feedback regarding potential inefficiencies of the TR market observed by the Ontario Energy Board's Market Surveillance Panel (MSP)¹, IESO internal business units and external market participants. In response, the IESO has made changes to the TR market to address issues and also committed to conduct a more fulsome review of the market to determine whether it is achieving its intended purpose.

More recently the Market Renewal Program (MRP) has proposed changes to the energy market which will have a significant impact on TRs. These changes include replacing the uniform Market Clearing Price (MCP) with Locational Marginal Pricing (LMP), shifting TR market settlements from real-time to day-ahead, and changes to the calculation of congestion pricing. It is important that the TR market effectively integrates these changes into its design to ensure alignment and compatibility with the future renewed market.

As part of the TR Market Review stakeholder engagement, the IESO will work with stakeholders to determine what changes may be required to maximize the efficiency of the TR market and to ensure that the TR market is aligned and compatible with the renewed energy market in the future.

This engagement plan outlines the objectives, approach, timeline and considerations for engaging stakeholders. This engagement plan may be subject to review and updates as the process evolves. All comments and enquiries on this engagement can be directed to engagement@ieso.ca.

¹The existing TR market has come under scrutiny from the MSP on several fronts for potential inefficiencies. In its January 2013 Monitoring Report, the MSP issued a recommendation that: *The IESO should reassess the design of the Ontario transmission rights market to determine whether it is achieving its intended purpose.*

II. Stakeholders and Communities

The IESO encourages all interested parties to participate as described in the Approach section below. The IESO anticipates that this initiative will be of particular interest to energy marketers, energy service providers, consultants, consumers, generators and industry associations.

III. Engagement Objectives

The objective of this stakeholder engagement is to conduct an extensive review, covering all aspects of the TR market including market financials, auction mechanics, and settlements. As a result of the review, the IESO expects to develop a clear picture of the value that the TR market provides today and in the future as well as an inventory of potential changes to improve efficiency in the short term and under the renewed electricity market.

Through this engagement, the IESO will seek feedback from stakeholders on:

- The extent to which the TR market is achieving its objective
- The structure and mechanics of the current TR market and whether any inefficiencies can be identified for improvement
- A review of the TR market in the context of the redesign of Ontario's electricity market through the MRP
- Recommendations for potential improvements to the TR market for implementation to ensure compatibility and alignment with MRP

IV. Approach

This engagement plan will be implemented in accordance with the IESO's [engagement principles](#).

This is a public engagement process. All materials related to this initiative will be posted on the dedicated IESO engagement webpage. In addition, any information and feedback supplied by interested parties will become part of the public domain. Information and feedback that is marked confidential will be treated accordingly by the IESO. There will be opportunities for stakeholders to provide input through in-person meetings, webinars, and written feedback. In some instances, the IESO may hold targeted meetings to gather feedback from specific stakeholders with a particular interest and/or knowledge of an issue. The IESO will consider all relevant input and illustrate how feedback was considered in the development of the final outcomes.

The scope and deliverables of this project are related to other issues under discussion in other IESO engagement forums, primarily:

- [The Market Development Advisory Group](#) (MDAG) which contributes to the overall success of market development by providing advice, guidance and support for the development of electricity markets in Ontario, including the prioritization of market development projects.
- [The Market Renewal Program](#) (MRP) where changes to the energy market are being discussed.

The TR Review project group will coordinate with other groups to identify gaps and align outcomes (if possible) to further enhance the discussion. Updates on the progress of this stakeholder engagement will be provided at MDAG meetings.

More details on the Approach can be found in the Scope of Work for this initiative found on the stakeholder engagement web page.

V. Proposed Engagement Schedule

Anticipated timing for this engagement is presented below.

Timing	Activity
May 2020	Transmission Rights Market Review initiative re-launched as separate stakeholder engagement
May 2020	<u>Engagement webinar</u> Review feedback following April 2 MDAG webinar presentation and begin discussing Stage 1 of the Review focussed on the value assessment
Q3 2020	<u>Engagement meeting/webinar</u> Review feedback on Stage 1 presentation and begin Stage 2 of the Review focussed on potential near term improvements that could be implemented
Q4 2020	<u>Engagement meeting/webinar</u> Review feedback on Stage 2 presentation and begin Stage 3 of the Review focussed on potential longer term improvements that could be implemented
Q4 2020	Publish draft report summarizing findings and next steps for stakeholder comment

Timing	Activity
Q1 2021	<u>Engagement meeting/webinar</u> Review stakeholder feedback on draft report
Q1 2021	Publish final report summarizing Transmission Rights Market Review findings

VI. Additional Background and Resources

For more information and background on this engagement, please visit the engagement webpage.

Related Engagements:

- [Market Renewal Program](#) (MRP)
- [Market Development Advisory Group](#)