

Transmission Rights Market Review – Feedback Form

Meeting Date: May 21, 2020

<u>Date Submitted:</u> <i>2020/06/09</i>	<u>Feedback Provided By:</u> Organization: HQEM Main Contact: Frederic Belanger Email: [REDACTED]
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Following the May 21, 2020 Transmission Rights Market Review webinar, the Independent Electricity System Operator (IESO) is seeking feedback from stakeholders on the following items discussed during the webinar. Background information related to these feedback requests can be found in the presentation, which can be accessed from the [engagement web page](#).

Please submit feedback to engagement@ieso.ca by June 11, 2020. If you wish to provide confidential feedback, please submit as a separate document, marked “Confidential”. Otherwise, to promote transparency, feedback that is not marked “Confidential” will be posted on the engagement webpage.

Stakeholder Feedback Table

IESO Requests	Stakeholder Feedback
<p>How are Transmission Rights (TRs) used in practice by stakeholders?</p>	<p>We have a portfolio approach when it comes to TRs and we try to optimize their value. Given our presence in IESO neighboring markets, we use TRs as part of several strategies; wheeling energy through the IESO, arbitrage (buying power from the IESO in order to sell it in other markets) or simply as a financial play.</p> <p>For an energy supplier, there is no doubt that holding TRs makes us more confident to move large amount of physical power.</p>
<p>Do TRs provide an appropriate or optimal hedge against congestion?</p>	<p>In the current form, TR constitute a hedge against congestion, but it isn't optimal. Some modifications to the current product would better reflect participant needs. We believe our suggestions will increase competition and market liquidity.</p> <p>Suggestions :</p> <ul style="list-style-type: none"> • Bid lamination – Better risk management for participants • Peak and off-peak TRs • Secondary market (Reoffering of TRs) <p>Some participants would benefit from TRs if they were available for more specific period, or if they could close their position on the secondary market.</p> <p>In addition, the TR must be aligned with intertie prices. As indicated in the Market renewal design documents, congestion at the intertie will not be calculated on the same basis for imports and exports. This will affect how TR are an appropriate tool for participants to hedge themselves from congestion.</p>
<p>How do stakeholders manage the risk associated with TRs?</p>	<p>HQEM considers that the risk for TRs is low given that its maximum loss is limited to its purchase cost.</p>

<p>What improvements to the current design would you suggest to help maximize the value of TRs and encourage greater participation in the TR market?</p>	<p>As previously mentioned, instauring lamination in the TRs bid format would benefit participants as the auction would allow for more flexibility on the bid strategy.</p> <p>Offering TRs for peak and off peak periods will give the participants the opportunity to buy exactly what they needs.</p> <p>A secondary market could be interesting, as participants would be able to buy or sell their position to others.</p> <p>All these improvements will increase competition and thus the value of TRs.</p>
<p>To support the TR review, are there lessons learned from other jurisdictions that you could provide from your experience in trading elsewhere?</p>	<p>Reconfiguration auctions in the NYISO give the participants the opportunity to adjust their positions.</p> <p>MISO offers Multi-Period Monthly Auctions and also Peak and Off-Peak periods.</p> <p>Nepool also offers Peak and Off-Peak periods.</p>