

<u>Date Submitted:</u> <i>2020/08/11</i>	<u>Feedback Provided By:</u> Organization: Ontario Power Generation Main Contact: Denise Zhong Email: [REDACTED]
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Following the July 22, 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 August 13, 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.

General Comments/Feedback:

Ontario Power Generation (OPG) appreciates the opportunity to provide feedback on the recent Transmission Rights Review webinar, which was presented by the IESO on July 22nd, 2020.

OPG would like to be included in focused meetings with the IESO on Stage 2 to build on our past discussions regarding the Transmission Rights Auctions and potential options for auction redesign.

Please provide additional details and clarity on how the IESO plans on integrating this TR Review/Improvement process with the Market Renewal Project (MRP). In other ongoing/parallel IESO stakeholder initiatives (e.g. IESO SDP – Storage Design Project) the IESO wasn't able to integrate design proposals along with MRP as the IESO was concerned about scope creep and timelines for MRP. If the plan for Stage 3 is to implement longer term improvements it would be worthwhile to ensure they can be incorporated in the new market design. As the IESO has mentioned, *“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.”* OPG believes that in order for the Transmission Rights Review stakeholder engagement to be successful, the IESO will need to ensure they are aligned with the MRP initiatives. Stage 3 will require significant resources for modelling and analysis to interpret how the Transmission Rights Auction will work in the renewed energy market, therefore it would be beneficial for the IESO to consider including the proposed TR design changes as part of the final MRP detailed design.

Stakeholder Feedback Table

IESO Requests	Stakeholder Feedback
Are there any critical components missing from the Stage 1 assessment and key findings?	OPG does not have any further recommendations for Stage 1.
Are there additional comments on the revised objective statement?	OPG would like clarification as to what constitutes 'efficiency' in the objective statement for the Transmission Market. The 'efficiency' principle in the Market

	<p>Renewal Project aims to provide long-term value to market participants by encouraging efficient participation in markets which should lead to lower costs for consumers. The IESO is stating the following in the Transmission Rights Review objective statement: <i>“Enhance the efficiency of intertie trades by providing a congestion hedge to physical intertie traders.”</i></p> <p>OPG believes this is inconsistent with the MRP principle of ‘efficiency’. OPG recommends that the objective statement should be stated to provide benefits to consumers, producers and traders that would lead to efficiencies and improvements in the market, and an overall long-term benefit to consumers.</p> <p>OPG supports the exploration of various options in the Transmission Rights Auction Review. Multiple Bid Laminations as well as an increase of TR Products offered (on/off peak, seasonal, secondary markets) will provide flexibility for Market Participants to hedge for different financial/market risks.</p>
<p>Are there other options that should be explored in Stage 2?</p>	<p>The IESO should consider exploring the option of requiring traders to have a ‘Physical Export License’ and post a minimum collateral requirement in order to participate in the market. A requirement for a license could provide insurance and transparency to traders which will lead to more efficiency on the interties. It is OPG’s view that in order to maximize MW flows at the interties physical traders need insurance for congestion risk. When financial traders enter the TR auction and purchase on a speculative basis, physical players are left with less insurance. Without the TRs physical traders are forced to manage risk with smaller positions that is counter to the "efficient" use of interties. OPG acknowledges that requiring a Physical Export License may potentially reduce competition, but that may be mitigated with the option of allowing a secondary market for TRs, or providing traders with a larger variety of TR products to help increase competition. This option should be reviewed by the IESO and stakeholdered with MPs to see if it is an option worth considering.</p>

	<p>OPG strongly supports the IESO's review of a Secondary Market for TRs, as it provides increased flexibility to traders. Most jurisdictions have a secondary market for FTRs (MISO, NYISO, PJM etc...), and they play an important role in trading a commodity that is subject to many uncertainties. Secondary markets or allowing for reconfiguration of TRs, will help traders manage some of the risks associated with purchasing TRs, and ultimately lead to a more competitive TR Market.</p>
<p>Are there other considerations that should be included for the proposed evaluation criteria, process and timeline for Stage 2?</p>	<p>In the July 22 presentation, the IESO focused on both 1) TR utilization by Physical traders and 2) the competitiveness of Auctions. The conclusions drawn recognized Financial traders existed and could have a negative impact on physical trader's ability to complete hedged physical flow. However, it also indicates that a larger number of participants (including financial traders) in an auction increases the competitiveness, raising the MCP and therefore the TR revenues for the IESO. These two items may act counter to one another. The IESO should evaluate which of these objectives results in the greater net benefit to the consumer and/or which of these is more important for achieving the overall "efficiency" desired.</p>
<p>Are there any concerns with the IESO proposal to conduct focused discussions with interested stakeholders to explore Stage 2 options in detail?</p>	<p>OPG does not have concerns with the IESO conducting focused discussions with interested stakeholders for Stage 2. If there is a general consensus of thinking around specific topics/recommendations they should be shared publicly with all stakeholders.</p>