

Stakeholder Feedback and IESO Response

Transmission Rights Market Review – December 14, 2020 Webinar

Following the December 14, 2020 Transmission Rights Market Review engagement webinar, the Independent Electricity System Operator (IESO) invited stakeholders to provide feedback on the materials presented.

The IESO received feedback from:

Association of Power Producers of Ontario (APPrO)

Bruce Power

Evolugen

MAG Energy

This feedback has been posted on the [engagement webpage](#).

Note on Feedback Summary and IESO Response

The IESO appreciates the feedback received from stakeholders. The table below outlines a summary of the feedback received and an IESO response in relation to that feedback.

Stage 2 List of High-Value Opportunities

Feedback	IESO Response
<p>Stakeholders indicated general agreement with the list of stage 2 high-value opportunities.</p> <p>APPrO suggested that making new on-peak/off-peak products available should be a high priority since markets surrounding the IESO’s jurisdiction have this option in place now or will soon implement it and it would also improve efficiency and competition in intertie trading.</p>	<p>Most high-value opportunities identified in Stage 2 of the TR Market Review, including introducing on/off peak TR products, require the current TR Auction tool to be upgraded. These tool upgrades must go through the IESO’s internal project assessment process before approval for funding and resources to implement them. TR Market Review opportunities are expected to be submitted to this process as part of an upcoming project cycle, therefore, implementation timing will be determined based on the outcomes of this process. The IESO will provide information on how to follow up on these opportunities at the conclusion of the TR Market Review engagement.</p>
<p>APPrO indicated their support for a review of the IESO’s Information Confidentiality Catalogue if that would allow for publishing of transmission rights (TR) bid information.</p>	<p>Stakeholders expressed mixed views through the TR Market Review regarding the option to publish historical TR bids. Some stakeholders supported this option while others expressed concerns over the risk of releasing trading strategy by publishing historical TR bids. Based on the mixed views received and the confidentiality issue, the TR Market Review did not identify the option of publishing historical TR bids as a high-value opportunity in Stage 2 of the review.</p> <p>The current Information Confidentiality Catalogue categorizes the bids/offers information as confidential. If stakeholders wish to pursue revisions to the Information Confidentiality Catalogue to allow the publishing of this information, a separate stakeholder engagement would be required that involves all impacted stakeholders who submit bids and offers in both the physical and financial markets, such as generators, loads, traders, etc. Please contact</p>

Feedback	IESO Response
	engagement@ieso.ca to discuss options to pursue this with the IESO Engagement team.

Hedging Day-ahead Market Net Interchange Scheduling Limit (NISL) Congestion Costs with Transmission Rights

Feedback	IESO Response
<p>Stakeholders indicated that there is a benefit to being able to hedge day-ahead NISL congestion costs because it would allow traders to offer into the day-ahead market without trying to estimate NISL congestion risk.</p> <p>By including a NISL congestion component in day-ahead LMP, intertie traders are potentially exposed to extreme penalty prices but would be unable to hedge against them or modify transactions in time which may reduce intertie traders' incentive to participate in the day-ahead market</p> <p>To mitigate the risk of extreme penalty prices associated with NISL congestion costs to traders, one stakeholder advised the IESO to consider including NISL penalty costs in the TR market so traders can hedge against the risk</p>	<p>The IESO appreciates the insights provided by stakeholders on this topic and will respond to stakeholder feedback related to NISL at the March 2021 TR Market Review engagement webinar.</p>
<p>Stakeholders had various questions and requests for more analysis, including examples of potential scenarios, related to NISL congestion.</p> <ul style="list-style-type: none"> • Is the primary cause of NISL congestion widely observed from various interties or is it mainly related to a particular intertie? The analysis would help to address efficiency and transparency of TR market design • IESO should provide further analysis on main causes of NISL congestion and whether it applies to all interties or only a subset. • Will NISL penalty cost be the same for every intertie? • It won't be possible to hedge against real-time NISL penalty price which may lead to traders 	<p>The NISL penalty price will be +/- \$500 under the MRP and will be the same for every intertie.</p> <p>The day-ahead market will provide market participants with the financial certainty based on their day-ahead schedules. Only the difference between the real-time and the day-ahead schedules will be exposed to real time congestion. There will be no virtuals on the interties under the Market Renewal Program (MRP).</p> <p>The IESO will respond to stakeholder feedback related to NISL at the March 2021 TR Market Review webinar.</p>

Feedback	IESO Response
<p>withdrawing their real-time bids if there is potential risk of NISL in real-time. This could lead to issues for virtual transactions at interties if there is NISL in the day-ahead timeframe but not in real-time or vice versa. Can IESO provide analysis/examples for this scenario?</p>	

Changes to Transmission Rights Market Resulting from MRP

Feedback	IESO Response
<p>APPrO indicated the default changes to the TR market to align the MRP changes was reasonable.</p>	<p>The IESO will make a proposal on Stage 3 changes and inform stakeholders of next steps at the March 2021 TR Market Review webinar.</p>
<p>APPrO requested analysis be shared by the IESO that may estimate the expected congestion costs that could be created by differences between the RT and DAM schedule.</p>	<p>Due to the significant complexity involved to estimate the difference between RT and DAM schedules under the MRP design by using the historical data under the current market design which does not have a day ahead market, the IESO did not conduct such analysis.</p>
<p>Stakeholders noted that the presentation shows that internal congestion and losses are an additional risk that intertie trading has to face and pay for, but has no tool to hedge that risk with. The IESO has decided not to provide internal TRs to hedge internal congestion under MRP. This increases the uncertainty of intertie trading which is not consistent with the IESO's mandate of certainty, efficiency, competition, implementability, and transparency.</p> <p>Stakeholders believed exports should be included in the disbursement of internal congestion rent and loss residuals, which is consistent with the transmission rights clearing account disbursement methodology.</p> <p>IESO may consider making a NISL congestion component non-binding from day-ahead intertie locational marginal prices (LMP). If this were</p>	<p>The IESO has already reached decisions on these matters through discussions with stakeholders in the MRP stakeholder engagement, therefore, they are out of scope for the TR Market Review stakeholder engagement.</p>

Feedback	IESO Response
<p>implemented, NISL events could still be calculated as an indicator for potential grid reliability constraints and then communicated by IESO</p> <p>Has IESO considered the possibility that the NISL could only affect the outcome of the cleared MW in day-ahead or real-time, but not the prices at the intertie? IESO should analyze the possibility to use NISL prices for scheduling but not for pricing at interties. This would prevent traders from being penalized for submitting bids/offers.</p>	