

# Final Engagement Summary Report

## Date: June 2021

## Transmission Rights Market Review

Engagement Initiated: May 2020

### Engagement Description

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 neighbouring 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, 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 with Locational Marginal Pricing, shifting TR market settlements from real-time to day-ahead, and changes to the calculation of congestion pricing.

As part of the TR Market Review (the Review) stakeholder engagement, the IESO worked with stakeholders to determine what changes may be required to maximize the efficiency of the TR market. It is important that the TR market effectively integrates these changes into its design to ensure alignment and compatibility with the future renewed market.

Additional details on the IESO's plans to engage stakeholders throughout the process can be found in the [engagement plan](#). All comments and enquiries on this engagement can be directed to [engagement@ieso.ca](mailto:engagement@ieso.ca).

## Engagement Objectives

The objective of this stakeholder engagement was 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 expected 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 sought 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

## Engagement Approach

This stakeholder engagement was a public engagement process and was conducted in accordance with the IESO's approved [engagement principles](#). The approach for this engagement initiative included opportunities to provide input through various channels such as in-person meetings, webinars, and written feedback. All materials, including feedback and commentary from stakeholders, and IESO responses to feedback were posted on the dedicated IESO [engagement webpage](#) for this initiative.

Before this initiative was launched as a separate engagement, it was identified as a priority initiative for the 2020 Market Development Advisory Group work plan. Due to the detailed nature of this initiative and its high priority as identified by stakeholders, the IESO launched this initiative as a separate stakeholder engagement in May 2020. Stakeholders actively participated and provided feedback throughout the Review that contributed to the scoping, prioritization and execution of this engagement.

## Conclusion

At the conclusion of the Review the IESO identified the following key findings:

- The TR market provides significant value to the Ontario electricity market and plays a critical role in facilitating efficient intertie trade.
- High-value opportunities exist that will improve the overall efficiency, value and function of the TR market today and in the future.
- Changes are required to align the TR market with the future renewed market.
- A number of outstanding issues have been identified that require further engagement with the stakeholders and trading communities outside of the Review.

A fulsome summary of the stakeholder engagement activities and discussions that led to these findings are outlined in the TR Market Review Final Report. As updates become available in the future, the IESO will inform stakeholders who participated in the Review engagement.

This concludes the TR Market Review stakeholder engagement. Thank you to all stakeholders for your participation. All materials, including the Final Report, will continue to be available on the IESO website under [Completed Engagements](#).