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Change to Governance for Approval of Market Parameters

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Territory Acknowledgement

The IESO acknowledges the land we are delivering today's webinar from is the traditional territory of many nations including the Mississaugas of the Credit, the Anishnabeg, the Chippewa, the Haudenosaunee and the Wendat peoples and is now home to many diverse First Nations, Inuit and Métis peoples. We also acknowledge that Toronto is covered by Treaty 13 with the Mississaugas of the Credit First Nation.

As we have attendees from across Ontario, the IESO would also like to acknowledge all of the traditional territories across the province, which includes those of the Algonquin, Anishnawbe, Cree, Oji-Cree, Huron-Wendat, Haudenosaunee and Métis peoples.

Agenda

- Overview
- Market Parameters Governance
- Next Steps

Overview

Governance Changes – Market Parameters

- The IESO is proposing a market rule amendment to remove a legacy requirement that the IESO Board directly set certain technical parameters used in the calculation engines.

Background - IESO Board Authorities

- The Legacy Market Rules specify that the IESO Board shall determine, from time to time, the following basic parameters of the dispatch algorithm:
  - The maximum market clearing price (MMCP);
  - The maximum operating reserve price (MORP);
  - The penalty functions for the violation of dispatch algorithm constraints (i.e. constraint violation penalties); and
  - Floor prices for energy offers from variable generators and flexible nuclear.
- The Renewed Market Rules (MR Ch.0.7 ss.1.6.1 & 1.6.2) have maintained these IESO Board authorities and have added the additional obligation to:
  - Determine a settlement floor price.

Background: MMCP/MORP/Floor Prices

Maximum Market Clearing Price & Maximum Operating Reserve Price

- The maximum market clearing price, or MMCP, defines the maximum allowable price for energy & the minimum allowable price for energy (negative MMCP); and
- The maximum operating reserve price, or MORP, defines the maximum allowable price for any class of operating reserve.

Variable Generator and Flexible Nuclear Floor Prices

- The variable generation and flexible nuclear floor prices define the minimum offer prices for these resources.

Background: Constraint Violation Penalties

- The calculation engines determine schedules and prices based upon a set of required system and resource constraints.
- Situations can occur when the calculation engine is unable to determine a schedule that meets system requirements while respecting all constraints.
- In such a situation, the calculation engine will violate a constraint(s) to find a solution.
- Each constraint has an associated cost (or cost curve) associated with violating that constraint to ensure prices reflect the engine's actions.
- The intent of the constraint violation prices in the calculation engines is to resolve the constraint violation.

Background: Settlement Floor Price

Background:

- Frequent oversupply in areas can lead to excessively negative locational prices.
- Under the MRP design, the IESO specified that a single "*settlement floor price*" would be applied for all locational settlement.

Summary:

- A settlement floor price means that the IESO will not settle injections or withdrawals from the market below this price (-$100/MWh).
- While market participants can continue to submit offers at prices as low as -$2,000/MWh to manage their operations, locational market clearing prices will be limited by the floor price.

Reasons for Governance Change

- At market launch in 2002, the IMO Board (the predecessor to the IESO Board) – then a hybrid body with stakeholder and industry representation – played an active role in technical and operational decision-making, reflecting the needs of a newly deregulated market.
    - Part of the Board's active role included the direct obligation for it to set the technical parameters that are the subject of this proposed amendment.
- Changes introduced by the Market Renewal Project required updates to the relevant technical parameters, triggering the unusual requirement for the IESO Board to establish new values.
- Through discussion with the IESO Board, the IESO has determined that these technical parameters should be established by the IESO, with stakeholder input, in the same way in which most other market rule requirements are established.
    - The IESO Board should maintain its usual oversight and approval function but should not be required to set technical parameters directly.

Proposed Market Rule Amendment

1.6 IESO Authorities and Obligations Regarding the Operation of the IESO-Administered Markets

1.6.1 The following parameters of the *day-ahead market calculation engine*, *pre-dispatch calculation engine* and *real-time calculation engine* shall be as specified from time to time by the *IESO ~~Board~~*:

1.6.1.1 the *maximum market clearing price;*

1.6.1.2 the *maximum operating reserve price*;

1.6.1.3 the constraint violation penalties; and

1.6.1.4 the *settlement floor price* for *energy*.

1.6.2 The *IESO ~~Board~~* shall establish floor prices for *energy offers* from *a registered market participant* associated with a *variable generation resource* and for *energy offers* from a *generation resource* that has a component classified as *flexible nuclear generation*, in accordance with the applicable *market manual*.

Next Steps

- September 23 – Deadline for stakeholder written feedback
- October 7 – Technical Panel (TP) Education and vote to post
- November 11 – TP vote to recommend
- December 8, 2025 – IESO Board consideration on market parameter governance

For information:

- The IESO will propose a subsequent amendment to the Technical Panel to update the rule amendment process specified in MR Ch.3 s.4
  - Target Nov/Dec 2025 TP – stakeholders can provide comment through the TP process