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Changes to the Establishment and Publication of Market Parameters

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Territory Acknowledgement

The IESO acknowledges the land from where we are delivering today's webinar is the traditional territory of many nations including the Mississaugas of the Credit, the Anishinaabeg, 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 the traditional territories across the province, which include those of the Algonquin, Anishinaabeg, Ojibwe, Cree, Oji-Cree, Huron-Wendat, Haudenosaunee, Métis, and Inuit peoples.

Shared Commitment to Respectful Participation

To support a focused and constructive discussion:

- We will take questions one at a time; please use the raise-hand feature to enter the speaking queue
- We encourage concise and focused comments to allow time for multiple perspectives
- Participants are encouraged to raise relevant points during the discussion and provide more detailed feedback through the written submission process
- We ask that all participants maintain a respectful and professional tone throughout the session
- Facilitators will guide the discussion and manage participation to stay aligned with today's focus and agenda
- Where necessary, we may disable a participant's microphone to manage participation

Why We Are Here

In September 2025, the IESO proposed to remove a legacy requirement that the IESO Board directly set certain technical parameters used in the calculation engines.

Stakeholders raised concerns regarding a perceived loss of governance and IESO Board oversight.

In response to stakeholder feedback the IESO has reviewed and updated its proposal.

The revised proposal hardcodes the values for the maximum market clearing price, maximum operating reserve price, settlement floor price, and floor prices for variable generation and flexible nuclear generation in the market rules; constraint violation penalties (CVP) will remain in the market manual and not require IESO Board approval.

What We Heard from Stakeholders

Summary of Views Expressed by Participants:

- Technical expertise is not a prerequisite for effective governance - oversight, transparency and accountability are;
- Stakeholder engagement cannot replace governance, especially for parameters that materially impact market outcomes, settlements, and operational tools like the dispatch and scheduling optimizer (DSO);
- Concern that stakeholder comments could be ignored if oversight and governance is removed;

What We Heard from Stakeholders (cont'd)

Summary of Views Expressed by Participants (cont'd):

- IESO led consultation process does not meet industry best practices;
- Recommendation that the IESO's Technical Panel/market rule amendment process be used to revise and approve market parameters; provides a defined, transparent and accountable process for all stakeholders.

Revised Proposal – Foundational Parameters

The IESO's proposed alternative solution is to specify the values of the following foundational market parameters within the market rules:

- Maximum market clearing price (MMCP): $2,000/MWh;

- Maximum operating reserve price (MORP): $2,000/MWh;

- Settlement floor price: -$100/MWh; and

- Floor prices for variable generation: -$3/MWh and -$15/MWh and flexible nuclear generation: -$5/MWh.

Revised Proposal – Foundational Parameters (cont'd)

- With these market parameters hardcoded within the market rules, any changes to such parameters will flow through the following change processes as a market rule amendment:
  - Stakeholder Engagement;
  - Technical Panel; and
  - IESO Board approval.

Constraint Violation Penalties – Proposal

Consistent with the original proposal, any future changes to CVPs will be determined by IESO management and maintained in the market manuals.

Future changes to CVPs will not be set by the IESO Board.

Any changes to CVPs will follow the established market manual change process (via the IESO's Baseline Management process).

This approach provides transparency for any future changes while enabling timely updates to parameters that guide real-time operational decision-making and reliability prioritization.

Background - Constraint Violation Penalties

- Constraint violation penalties are required to manage the risk to system reliability.
- Situations can occur where the calculation engine is unable to determine a schedule that meets demand while respecting all required system and resource constraints. When this occurs, the calculation engine will violate a constraint(s) to find a solution.
- In today's market, each system constraint has an associated "constraint violation penalty" (CVP) price associated with violating that constraint - MM 4.3 App.A.
- The ordering of CVP prices from lower to higher signals the sequence in which the IESO will violate system constraints, and sets a clear priority of constraint violations, based on their relative impact to system reliability.

CVP Background Materials Available Here:

Constraint Violation Penalties - November 2019 - MRP Education

Single Schedule Market High Level Design

Proposed Market Rule Amendments – Revised

Chapter 7

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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* shall be $2,000/MWh;

1.6.1.2 the *maximum operating reserve price* shall be $2,000/MWh;

1.6.1.3 the constraint violation penalties as specified in the applicable *market manual*; and

1.6.1.4 the *settlement floor price* for *energy* shall be -$100/MWh.

1.6.2 The *IESO ~~Board~~* shall establish floor prices of -$3/MWh and -$15/MWh for *energy offers* from a *registered market participant* associated with a *variable generation resource* and a floor price of -$5/MWh 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

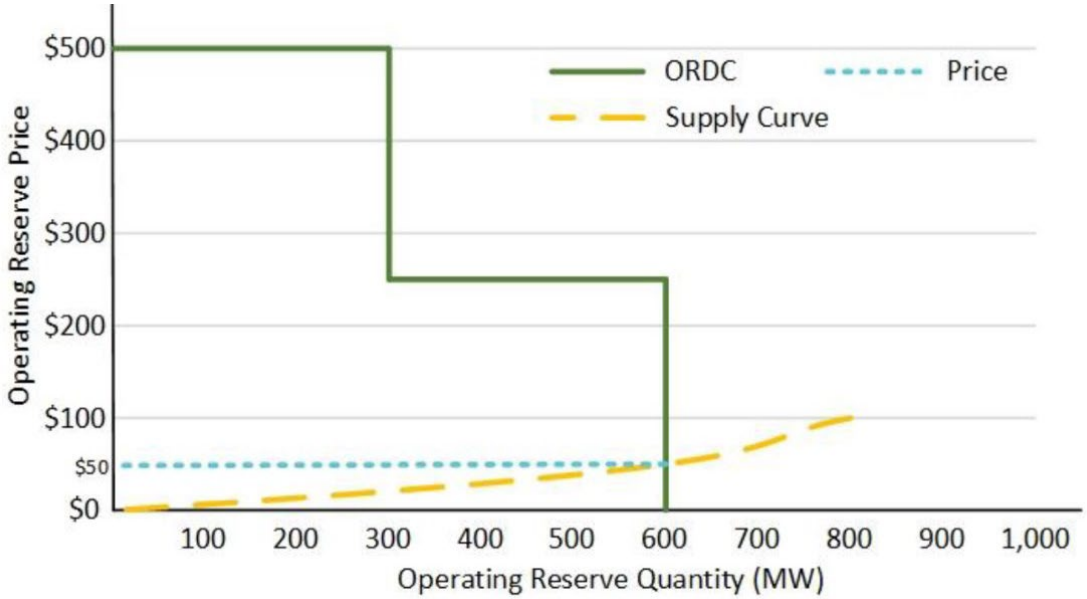
- July 2, 2026 – Deadline for stakeholder written feedback.
- July 14, 2026 – Technical Panel (TP) Education.
- September 15, 2026– TP vote to post.
- October 13, 2026 – TP vote to recommend.
- December 10, 2026 – IESO Board consideration of rule amendments.
- March 2027 – Effective date aligned with Baseline 57.0 publication

Appendix

Example: Constraint Violation Penalties in Practice

Operating Reserve Demand Curve (ORDC) Example

Scenario 1: Calculation engine is **able to** determine a schedule that meets requirements while respecting all system and resource constraints.



Note:

The Ontario market requires 600MW of Operating Reserve capacity

From 0 to 300MWs the market would be willing to set a price of up to $500/MW to signal that there is a significant shortfall of Operating Reserve capacity

When the shortfall is less, from 301 to 600MWs, the maximum price signal is reduced to $250/MW

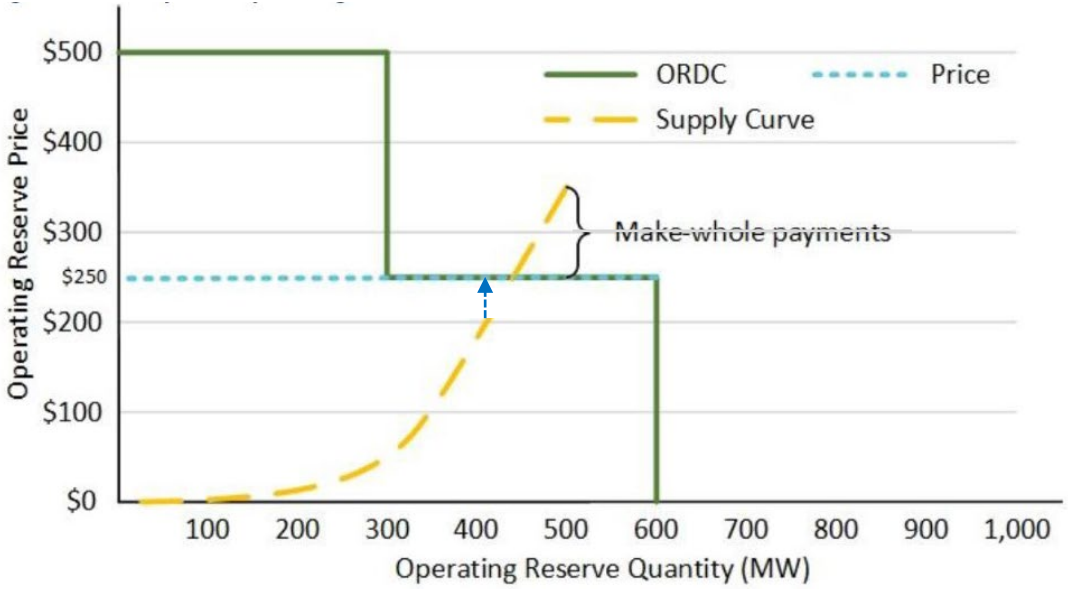
In this example, there is more than enough offers to meet the required quantity at a price below the Operating Reserve Demand Curve

Therefore, the requirement is met and the **price is set by the marginal offer; approximately $50/MW**

Example: Constraint Violation Penalties in Practice (cont'd)

Operating Reserve Demand Curve (ORDC) Example

Scenario 2: Calculation engine is **unable to** determine a schedule that meets the reserve requirement while respecting all required system and resource constraints due to a supply shortfall.



Note:

- There are only 400MWs of Operating Reserve offers
- The 600MW requirement would not be met and the **price would be set by the Operating Reserve Demand Curve at $250/MW** to send the desired price signal to the market