

Stakeholder Feedback and IESO Response

ERP Storage and Co-located Hybrid Integration Project

Following the August 6, 2026, ERP Storage Project engagement session, the IESO invited participants to provide comments and feedback on the materials presented by August 20, 2026.

The presentation materials and stakeholder feedback submissions have been posted on the ERP's [Storage Project](#) webpage for this engagement.

Please reference the material for specific feedback as the below information provides excerpts and/or a summary only.

If you have any questions or concerns, please contact engagement@ieso.ca.

The following participants submitted feedback that is summarized in the tables below:

- [Atura Power](#)
- [Energy Storage Canada](#)
- [Ontario Power Generation](#)
- [Power Advisory on behalf of ESR Consortium](#)

Based on stakeholder feedback and ERP's design principles of efficiency and competition, the IESO will commence engagement on Make-Whole Payment (MWP) treatment for all energy limited resources. This session is scheduled for October 14, 2026.

Topic/Theme of Feedback

Stakeholder Feedback	IESO Response
Clawback justification runs contrary to MRP definition of MWP The IESO's policy of clawing back profits based on an entire day's revenues is intended to "avoid overcompensation and reduce unnecessary uplifts paid by ratepayers." No justification or framework has been provided for what is considered "overcompensation". The Stakeholder submits that operating profit in any given period that is the result of efficient dispatch should not be considered overcompensation. The policy works against the MRP definition of MWPs being "intended to encourage generators and storage providers to follow dispatch instructions without fearing a financial loss." The approach risks reducing compensation for uneconomic dispatch, introduces uncertainty into project economics, and may discourage full participation.	• The profit that the IESO referenced in the presentation is operating profit which compares a resource's bid/offer and the locational marginal price. • Day-ahead lost cost make-whole payments depend upon the operating profit for a resource's schedule and its economic operating point. • In determining schedules over the course of the day, the DSO considers all 24 hours at once. Because of intertemporal constraints, it can schedule resources at a loss (negative operating profit) in some hours to create opportunities to achieve positive operating profit in other hours. • Paying a market participant DA LC MWP for the negative operating profit hours while allowing them to keep the associated operating profits in other hours is over-compensation when the decisions the DSO makes in these hours are linked. • To address stakeholder concerns while maintaining the make-whole payment principles, the IESO will propose an updated design that will identify hours that are not linked and exclude them from the DA LC MWP netting. • In instances where the linked hours with positive operating profits do not exceed the magnitude of the linked hours with negative operating profits, the resource will be made whole and will not suffer a financial loss. • Further details on the updated design will be available in a revised ERP Storage Project Settlements design memo before the end of October 2026.

DSO may use profit offsetting to reduce the overall system cost in the DAM Assume that there is day where a 4-hour energy storage system is dispatched in two hours economically based on its energy offers. Under the IESO's proposed approach, the DSO could schedule the unit for two hours uneconomically and use the profits in the two "in-merit" hours to offset MWPs in the two other hours to minimize total system costs. No other resource faces the risk of such an outcome.	• The fact that the decisions made by the DSO in one hour can increase the amount of energy that can be withdrawn or injected in other hours is unique to storage resources. • For example, a storage resource could be uneconomically scheduled to charge. Doing so creates the opportunity for this energy to be injected later and generate a positive operating profit that otherwise cannot result by charging at another period. The uneconomic withdrawal has created this opportunity. This result is true whether the uneconomic withdrawal is the result of system constraints or the storage resource's bi-directional offer curve. • The converse is also true where discharging uneconomically can create later opportunities to withdraw at a positive operating profit that would otherwise not be present. • There can be instances where the opportunities for a storage resource to generate positive operating profit in future hours is not inter-temporally linked with prior hours with negative operating profits. The revised settlement design will identify appropriate hours to be excluded in an updated design memo which will be presented at a future engagement.
RTM Clawback for other asset types There was no expansion language in the Real-Time Market (RTM) MWP design change section of the presentation. Can the IESO confirm that the RTM MWP design changes will not be expanded to other energy limited resources, as in the case of the DAM MWP?	• The IESO is not currently expanding the RTM MWP design changes for single model storage resources to other resource types.
DAM Clawback for other asset types Can the IESO provide an exhaustive list of resource types that are considered "energy limited resources" and thus	• Currently, Chapter 11 of the Market Rules provides a definition: "<i>energy limited resource</i> means a <i>dispatchable generation resource</i> or <i>dispatchable</i>

would be subject to the proposed DAM MWP design changes? <u>Hydro resources:</u> The clawback of MWPs for hydroelectric resources is largely related to operating within or at the boundary of a forbidden region, which is a constraint provided by the hydro asset itself. Hydro resources are not scheduled in their forbidden region in the DAM. This is structurally different than a MWP for an uneconomic schedule being clawed back due to offsetting operating profit in other hours. <u>Generator Offer Guarantee (GOG) program for Gas-fired generators:</u> The IESO does not clawback profits from one GOG commitment in a given day when there was a second profitable commitment on the same day. The GOG also incorporates the physical constraints of a gas-fired unit, which requires the DSO to schedule units for a specific number of hours. In this scenario, it makes sense that uneconomic hours in a given commitment are counted against operating profits to determine the GOG payments. Energy storage resources are fully dispatchable and do not impose a similar physical constraint on the DSO.	<i>electricity storage resource with a maximum daily energy limit</i> for the applicable dispatch day.” More broadly, the concept applies to resources that have constraints that affect the scheduling of energy and the IESO will be proposing changes to this definition as part of the MWP for energy limited resources engagement process. • Clawback of DA LC MWP for hydroelectric resources occurs across starts in the current MWP design which reflects the principle that when hourly decisions made by the DSO are linked, so too should be the MWP. Similar to the proposed design, this settlement treatment reflects the operational characteristics of the relevant facilities. • Any DAM MWP received by the resource during the commitment period is considered when assessing DAM GOG, which ensures that compensation aligns with the DSO commitment decisions and the resource operational constraints. The same principle is applied to energy storage resources. • Single-model storage resources are physically constrained by their state of charge which directly links the feasibility of schedules between time periods.
Clawback risks priced into Storage Offers will raise overall system costs Energy storage assets may need to account for the impact of a clawback in operating profit throughout the day and include that cost in energy offers across all hours. This may result in offer behaviour that increases total system costs.	• The IESO operates a competitive market. Market participants are free to choose their bid and offer strategies within the confines of the Market Rules. These bids and offers are subject to market power mitigation.
Data Analysis on justification for proposed changes	

The IESO has not provided any data or analysis on how common or material the issue of “overcompensation” has been in the first 14 months of the renewed market. If the issue is material, the IESO should provide market participants with analysis on why the DSO is commonly scheduling energy storage assets uneconomically. Stakeholders would benefit from analysis based on actual market outcomes and settlement data, including practical examples demonstrating the impact of the proposed changes.	When applying design principles to design Make Whole Payments for SMSR under the ERP Settlements stream, the IESO has proposed a settlement design that aligns with the scheduling decisions of the DSO, which is reflective of the operational characteristics of the facility. This principle is applicable to other resource types that have operational constraints that apply how their energy is scheduled. The IESO’s design is based upon the underlying principle.
Initial State of Charge (I-SoC) IESO’s response to prior feedback on I-SoC was that while MP submission of I-SoC “introduces some uncertainty, it presents both risks and opportunities for Market Participants (MPs) and MPs can manage this uncertainty through the flexibility provided by their bi-directional offers and dispatch data submissions.” However, IESO has not provided any estimate on the magnitude of the risks or the benefits. Forecasting the I-SoC many hours ahead exposes participants to material settlement risk, especially when real time conditions can shift significantly. Safeguards such as SoC tolerance bands or restatement closer to real time to reduce exposure to unavoidable forecasting errors may be considered.	- The IESO cannot provide an estimate of the magnitude of the risks and benefits as decisions to buyback (or sellback) DAM cleared volumes in the RTM are uniquely embedded in each MP’s energy market risk management framework. - The IESO will dispatch SMSRs to address energy and ramping needs to ensure the reliability of the bulk power system when RT conditions shift significantly. The settlement risk stemming from reliability-based dispatch is addressed in Make-Whole Payments. - Market participants have the ability to manage these risks and opportunities through their bi-directional offers and dispatch data submissions.

Specific scenarios or examples to consider in the upcoming engagement on MWP for Energy Limited Resources in Q3 or Q4 of 2026

High-price SoC divergence periods, where dispatch and EOP diverge during sustained price spikes.

Multi-interval reliability events.

How does settlement distinguish between CRO actions such as forced discharges and DSO-driven outcomes?
Scenarios where uneconomic charging is required to restore flexibility.

Settlement impact of participation in multiple services (energy, reserve & regulation)

How does multi-interval MWP apply across extended cycling horizons (applicable to 8-hour storage resources)?

- Thank you for these suggestions. The IESO will consider them in developing the material for future engagements.
- The trade-offs involved in participating in both the energy and reserves markets is explicitly considered by the DSO and the MWP design. Regulation is out of scope for Phase 1.