

Market Development Advisory Group

Final Communication – April 15, 2021

At the November 3, 2020 Stakeholder Advisory Committee meeting, the IESO introduced plans to consolidate its advisory and working groups, including the Market Development Advisory Group (MDAG), in favour of a streamlined engagement approach to support engagement planning and prioritization efforts. The IESO is proceeding with this plan, in part, by concluding the MDAG stakeholder engagement.

The MDAG was launched in January 2019 as a forum for stakeholders to provide context and guidance to support the IESO's efforts to evolve the electricity market beyond the foundation being put in place by the Market Renewal Program (MRP). This forum facilitated discussion between stakeholders and the IESO regarding learnings and experiences from the IESO markets and other jurisdictions in support of the development of opportunities to cost effectively evolve the IESO market. A key role for members in this advisory group was to contribute to the prioritization of market evolution activities, through a work planning exercise. Throughout 2019, IESO and MDAG members developed a work plan for 2020 market development activities based on opportunities identified by both parties. An update on the status and progress of the three 2020 work plan initiatives is included below.

While the MDAG engagement forum is now concluded, discussion between stakeholders and the IESO to support the development of opportunities to cost effectively evolve the IESO market will continue through the Stakeholder Advisory Committee. The IESO engagement days will also become a forum for the IESO to seek broad input from stakeholders on IESO priorities and items that should be considered among future IESO initiatives and engagements. More information around the introduction of these opportunities will be communicated at the April engagement days.

Thank you to all members for your participation and input through the MDAG.

Update on 2020 Work Plan Initiatives

Transmission Rights Market Review

The Transmission Rights (TR) Market Review was a two-phase initiative. The first phase of the Review investigated the Transmission Rights Clearing Account (TRCA) disbursement methodology in response to a two-part May 2017 Market Surveillance Panel (MSP) recommendation. Engagement on the second phase of the Review was launched separately from the MDAG as the Transmission Rights

Market Review stakeholder engagement. This update will focus on the TRCA disbursement methodology review, which the IESO engaged with stakeholders on through the MDAG. For the latest information on the second phase of this initiative, please visit the Transmission Rights Market Review stakeholder [engagement webpage](#).

In response to the MSP's two-part, May 2017 recommendation, the IESO initiated the TRCA disbursement methodology review process by engaging with stakeholders through the MDAG and by commissioning the Brattle Group to deliver a public report to support the IESO and its stakeholders in assessing whether changes to the current methodology should be pursued. In October 2019, the Brattle report was published which recommended allocating 100% of the TRCA surplus funds to Ontario loads on the basis of market efficiency. At the November 2019 MDAG meeting, the IESO indicated its decision to allocate all TRCA surplus funds to internal loads on a volumetric basis, in alignment with Brattle's recommendation, effective for May 2020. Stakeholders indicated their disagreement with this proposal, noting that efficiency in terms of Ontario surplus should be considered for both consumer and producer surplus. Stakeholders also argued that the rationale for the change doesn't align with financial transmission rights (FTR) markets in the US and the proposal would not provide adequate notice to purchasers of long-term TRs and therefore, recommended postponing the effective date of the revised methodology. Further feedback was received from stakeholders through discussions and written submissions throughout early 2020 which led the IESO to present a revised proposal at the April 2020 MDAG meeting. The revised disbursement methodology proposed to allocate TRCA surplus funds to loads and exporter classes based on proportion of transmission service charges paid, which was in alignment with the MSP recommendation that looked to balance market efficiency and equity. The revised proposal, which aimed to balance different stakeholder perspectives, was presented to the Technical Panel (TP) at the May 26, 2020 meeting where members voted in favour to post the proposed market rule amendments for broader stakeholder review. In addition, the TP requested that IESO provide updated analysis on the impact a change to the TRCA disbursement methodology may have during the COVID-19 pandemic.

Following the May 26, 2020 meeting, the IESO updated the analysis that was requested by the TP and posted that updated impact analysis on the MDAG [engagement webpage](#). In addition, the IESO received one stakeholder feedback submission on the market rule amendment proposal and responded to this feedback at the June 23, 2020 TP meeting. Within the TRCA market rule amendment proposal materials for the June 23, 2020 TP meeting, the IESO proposed to delay the effective date from November 2020 to May 2021. After review and discussion of these materials, the TP voted unanimously in favour to recommend the TRCA proposed market rule amendments to the IESO Board for review and approval. The IESO Board of Directors approved the proposed TRCA market rule amendments at their August 25, 2020 meeting. The approved and revised market rules for the TRCA disbursement methodology will come into effect for the May 2021 disbursement.

Increasing Competition in Ancillary Services

The IESO made a presentation at the January 21, 2020 MDAG session entitled *Increasing Competition in Ancillary Services through Regulation Services Procurement*. At the April 2, 2020 MDAG session the IESO indicated that this initiative was being reassessed. As a result of the impacts of the Covid-19 pandemic, the IESO made the decision to refocus its resources to other higher value

initiatives, including the Resource Adequacy engagement which has established a high-level resource adequacy framework with stakeholders for further development and implementation. Nevertheless, the IESO remains committed to increasing competition in the ancillary services markets and will re-engage with stakeholders at the appropriate time and when resources become available.

Expanding Participation in Operating Reserve and Energy

The IESO has finalized its report that summarizes the work to date on the EPOR-E initiative including analyzing current market participation requirements, participation models of the EPOR-E resource types/technologies, and identifying misalignments between the two based on this research and stakeholder feedback. This [report](#) is now available on the engagement webpage for review.

Since the launch of this engagement, feedback from stakeholders has encouraged the IESO to expedite the process of enabling greater resource participation in the IESO-administered markets (IAMS). Supported by this input, the IESO intends to revise its engagement approach and expedite the establishment of a concrete work plan to enable existing electricity resources. The [Enabling Resources](#) stakeholder engagement will be the primary forum for discussion with stakeholders on this work plan, which will build on research conducted through the EPOR-E engagement and bring together learnings from other engagement forums, such as the Innovation and Sector Evolution White Paper Series, Energy Storage Advisory Group, and Demand Response Working Group. The first meeting of the [Enabling Resources engagement](#) will take place on April 21.