

Stakeholder Feedback Form: MRP Energy Detailed Design

Design Document: Prudential Security

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Feedback Due: March 6, 2020

Feedback provided by:

- Company Name: Ontario Power Generation
- Contact Name: Greg Schabas
- Phone: 416-592-4687
- Email: greg.schabas@opg.com

The IESO is posting a series of detailed design documents which together comprise the detailed design of the MRP energy stream.

This design document is posted to the following engagement webpage: <http://ieso.ca/en/Market-Renewal/Energy-Stream-Designs/Detailed-Design>.

Stakeholder feedback for this design document is due on March 6, 2020 to engagement@ieso.ca.

Please let us know if you have any questions.

IESO Engagement

General feedback on the Detailed Design Document

The proposed structure for the prudential requirements for the Market Renewal initiative appears to be well designed. Specifically the amount of prudentials required for the DAM market (both the physical side and the virtual side) provides adequate protection for market participants against default levies.

Comments for Design Document: Section 3 Detailed Functional Design

3.6 Virtual Transactions

- OPG Comment #1: The physical DAM market (prudentials) seems to basically adopt the structure of the current real time physical market in terms of limits and acceptable collateral. The virtual market is separate and has more stringent collateral posting requirements.
 - Comment - The virtual DAM market should accept only Letters of Credit as acceptable collateral (or posted cash). No limits should be granted based on credit rating or payment history for what could be speculative trading. OPG agrees with the IESO approach.
 - Question - Is there any thought to quicken the invoice payment timeline? Many US ISOs have much shorter billing periods, the IESO has monthly where exposure could be 45+ days. Or does prepayment address this issue?
- OPG Comment #2: The trading limit for a market participant in both the DAM physical and DAM virtual markets can be supported by net credit balances, i.e. a large physical seller of electricity can apply up to 75% of the average of the past six month's credit invoices against their limit.
 - Comment - Although the physical and virtual limits may be separate, the actual exposure from those two markets are combined against the limits that can be supported by credit balances. OPG agrees that a large creditor should not be posting LC's to participate in the virtual market.
- OPG Comment #3: With the introduction of a virtual market, the market participant profile will include financial players and speculators.
 - Questions – Will there be a public list of market participants, specifically in the virtual market? The addition of a virtual DAM market introduces derivative products (financial swaps). Although the exposure short-lived and is settled within the next day, how will the IESO provide support for any regulatory reporting requirements?

3.7 Consolidated Processes

- OPG Comment #4: Although the limit structure and the required collateral appears to minimize defaults, there could be defaults.
 - Comment: The current default levies are shared 50/50 between producers and buyers of electricity. And within the groups, their share of the levies are based on their average share of the volume of MWs over some time frame, so bigger producers would get a greater share.

- Question: How will default levies be shared between the real time market, the DAM physical market and the players in the DA virtual market?