

Market Renewal Program Stakeholder Engagement Update

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What's New?

- Detailed Design documentation is complete
 - ✓ Responses to stakeholders
 - ✓ Revised Detailed Design documents
 - ✓ Design change tracker & Implementation considerations
- Implementation activities proceeding to develop Market Rules and Manuals
- Appointment of new Program Delivery Executive

What's Next: Draft Engagement Forecast

- Today: Discussions on MPM Reference Levels and Re-settlement Limitation Period
- March Engagement Days: Update on forecast schedule for Market Rules and Market Manuals
- April Engagement Days: Update on testing, training, and readiness activities
- May Engagement Days: Discussion on Independent Review Process (part of MPM framework), and update on Reference Level discussion



FEBRUARY 23, 2021

Settlement Disagreements & Resettlements Process

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Today's Purpose

- Update on the Settlement Disagreements & Resettlements process design
 - Seek feedback on the proposed changes
- Review Next Steps:
 - Stakeholders asked to provide feedback
 - IESO to review and respond to stakeholder feedback
 - IESO to begin drafting of amendments to Market Rules and Manuals

RSS Project Update

- The Replacement of the Settlement System (RSS) project continues to be a strategic priority for the IESO that will sustain and integrate its settlements services, and support the implementation of the Market Renewal Project (MRP) and future IESO initiatives
- As part of the RSS project, the software requirements of the Settlement Disagreements and Resettlements process will begin development in Q2 2021

Summary from September 2020 Engagement

The IESO launched the high-level design of the Settlement Disagreements and Resettlements process to stakeholders and provided an overview of:

- Current process state;
- Design principles and high-level process model;
- Proposed modifications; and
- Market Rule and Regulatory requirements

Stakeholder feedback provided in October has been incorporated into this update

Objectives

The IESO is modifying its settlement disagreements and resettlements process with the following objectives:

- Mitigate financial risk to the market,
- Provide more clarity and transparency for market participants,
- Make timelines more practical for submitting settlement data, disagreement notices, and for resolving settlement disagreements, and
- Improve overall efficiency of Settlements processing timelines

Overview of Changes

The following modifications are included in the design:

- Expanding the scope of the current disagreements and dispute processes by extending, clarifying or introducing limitation periods to address specified errors
- Introducing a limitation for resettlements two years after the trade month, after which the IESO will not further restate a trade date

Overview of Changes – *continued*

- Introducing recalculated settlement statements (RCSS) between Final Settlement Statement (FSS) and the end of the limitation for resettlements to restate a trade date's settlement charges, and
- Establishing an ultimate limitation period of two years, after which no market participant may submit or serve, and no action shall be taken with respect to, a notice of dispute

Disagreements Framework (1 of 3)

A disagreement framework will provide flexibility to resolve disagreements after FSS and where appropriate, utilize updated information by implementing:

Disagreement Channels

- Market Rule/program provisions that outline various paths to raise and bring forward a specific settlement disagreement,
- a means for resolution,
- and a pathway to dispute (if the market participant is not satisfied with the resolution)

Disagreements Framework (2 of 3)

Limitation periods specific to each Disagreement Channel:

i.e. the maximum time period for market participants to bring a disagreement to the IESO for resolution. For example:

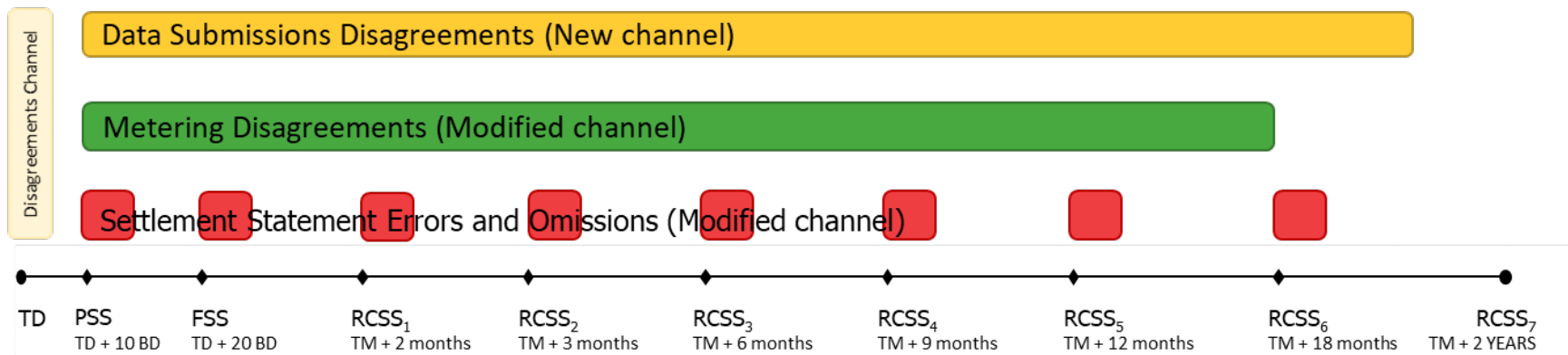
- A disagreement related to a resettled charge must be reported within the specified number of business days following the related RCSS
- A metering problem discovered after a test performed as per Chapter 6 of the Market Rules must be filed within the specified number business days following the completion of the test

Disagreements Framework (3 of 3)

- The resolution of a disagreement resulting in resettlement will be applied in accordance with the Settlement Schedule and Payments Calendar (SSPC)
- To mitigate risks associated with errors and omissions, the framework contemplates:
 - Market Rule obligations that must align with the applicable limitation periods including the two-year period for resettlements, and
 - A two-year ultimate limitation period applicable to all disputes under the Market Rules

Proposed Design

2-Year Limitation for Resettlements



Trade Date (TD)

Business Day (BD)

Last business day of Trade Month (TM) associated with the trade date

Preliminary Settlement Statement (PSS)

Final Settlement Statement (FSS)

Recalculated Settlement Statement (RCSS)

Disagreement Channels

- Two disagreement channels exist today in the Market Rules:
 - Settlement statements errors and omissions (Chapter 9), and
 - Metering errors (Chapter 6 and Chapter 10)
- A new disagreement channel is included in this design:
 - Data submissions (to be included in Chapter 9)
- As the market evolves, IESO will continue assessing the need and developing additional processes aligned with this disagreement framework

Settlement Statement Errors and Omissions

- The NOD process currently outlined in the Market Rules will be modified to:
 - **Extend** the current limitation period from **4 business days** to **6 business days**, and
 - Allow the proposed 6-business day limitation period to **apply to all new or resettled charges** on every settlement statement including PSS, FSS and applicable RCSS **up to two-years**

Metering Disagreements

- This disagreement channel will address errors and omissions in respect of the obligations outlined in the Market Rules. Modifications required to align with the two-year period for resettlements include:
 - Chapter 6: Setting out a limitation period for submission of disagreements up to **18 months after the trade date**
 - Chapter 6: **Amending the frequency of tests** to identify errors within two years after a trade date

Metering Disagreements – *continued*

- Additionally on Chapter 6: IESO currently looking into other potential amendments that may be required to establish clear processes and timelines, including opportunities to effectively address metering registry errors
- Chapter 10: Aligning obligations with this framework to address errors related to transmitters list

Data Submissions Disagreements (New)

- Chapter 9 of the Market Rules will be amended to include provisions with respect to settlement processes that are dependent on data submissions from market participants
- Process and timelines to support post-final updates to data (e.g. LDC embedded generation), must be aligned with this framework as well as applicable regulations

Data Submissions Disagreements – *continued*

- Limitation period contemplates from **1 to 23 months after the trade month** associated with a trade date for post-final data submissions based on each specific submission's defined requirements and timelines

Restatement of Settlement Charges

- Once a disagreement has been resolved, and if a resettlement is required, the **settlement charges for the applicable trade date(s) will be restated** using the most up-to-date data in accordance with the SSPC calendar
- IESO settlement process will have the functionality to **exempt certain settlement charges or settlement attributes** from being restated.
E.g. attributes used to determine the coincident Monthly System Peak Hour used to establish Transmission Charges will not be restated
- Legislative and regulatory changes may be required to effect this requirement

Limitation for Resettlements

- IESO will establish a **limit** on its resettlement of the market **two years after the trade month** associated with a trade date
- After the two-year period, if a recalculation is required through an arbitrator's order, an order of a court having jurisdiction, as may be determined by the IESO's market assessment unit, or as otherwise required by law, the IESO will apply a **current period adjustment** (similar to today's process)
- The limitation for resettlements will be applicable to all settlement charges

Ultimate Limitation Period

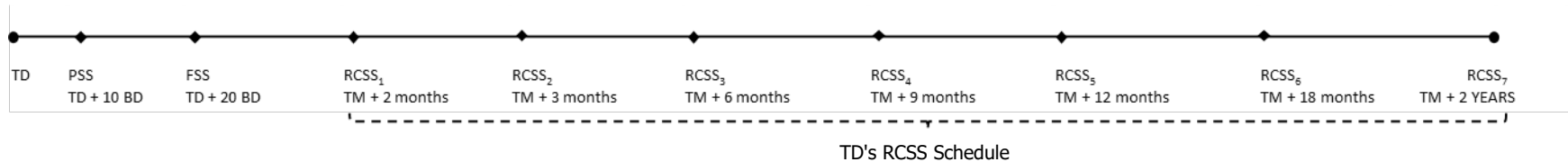
- The proposed design includes Market Rule amendments to establish a **two-year ultimate limitation period** that will apply to all disputes under the Market Rules
- Market participants may file a notice of dispute within **twenty business days** after the latest of the disagreement decision or the resettlement reflected on a settlement statement, subject to the two-year ultimate limitation period

Recalculated Settlement Statements (RCSS)

- New RCSS will be issued as necessary to restate a trade date's original and resettled settlement charges
- RCSS will be trade date-specific, and will **not** be issued if the trade date has not been resettled
- RCSS will be scheduled **up to seven times** between FSS and the end of the limitation for resettlements
- RCSS will be issued **ten business days after** the applicable **month-end**, as per the SSPC timeline

RCSS – *continued*

- The new settlement process will enable the functionality to trigger ad-hoc RCSS to facilitate long trade period resettlements if needed.
- *For example, in the event of an 18-month resettlement to resolve a metering error may require resettlement in a single run*



Trade Date (TD)

Business Day (BD)

Last business day of Trade Month (TM) associated with the trade date

Preliminary Settlement Statement (PSS)

Final Settlement Statement (FSS)

Recalculated Settlement Statement (RCSS)

Monthly Invoices

- Monthly invoices will continue to be issued ten business days after each month-end
- No changes to the format or cadence of the monthly invoice
- Applicable RCSS charges will be included along with the corresponding set of preliminary settlement statements of the current month, final settlement statements of the current month, and adjustments to final settlement statements of the previous month

Changes to IESO Market Rules

- Changes to IESO Market Rules will be required to reflect alignment with the modifications of the current settlement disagreements and resettlements process
- While the IESO continues to identify provisions required to support this design, amendments have been identified for:
 - Chapter 3: Ultimate limitation period
 - Chapter 6: Metering disagreement channel
 - Chapter 10: Correction of errors to transmitters list (part of the metering disagreement channel)

Changes to IESO Market Rules – *continued*

- Chapter 9: Settlement statement errors and omissions disagreement channel, data submissions disagreement channel, RCSS frequency and schedule process, and the two-year limit on resettlements
- Changes to Market Rules will be reviewed and facilitated by the Technical Panel with proposed rule amendments only taking effect once approved by the IESO Board of Directors

Changes to Regulations

- Changes to existing Regulations may also be required in order to reflect alignment with the recommended two-year ultimate limitation period, as well as other aspects of these process changes
- The IESO will work with the Ministry of ENDM to:
 - Identify applicable Regulations that may need to change, and
 - Implement any required legislative or regulatory changes to align with this design

Next Steps

- March 23, 2021: Stakeholder feedback due on today's materials and discussion
- May 2021: IESO to publish updated design document that incorporates stakeholder received feedback by March 23rd
- Q2 2021: Drafting of amendments to the IESO Market Rules will commence to enable the changes for go-live of the proposed Settlement Disagreements and Resettlements process.
- Engagement with Technical panel to be scheduled at future date

Thank You

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Appendix

Current Process Opportunities and Benefits of the RSS (1 of 3)

| Current Process Opportunities | Expanded Scope Design Benefits |
|---|--|
| No or limited flexibility to provide updates to information used in settlement processes beyond the current 20 business-day settlement cycle | Flexibility to accommodate resolution of disagreements as well as utilize updated information in the settlement process after FSS, where appropriate |
| Trade date reconciliations impacted by a resettlement are often difficult and not transparent as disagreements resolved after FSS are applied as post-final adjustments and reflected in a subsequent PSS for an unrelated trade date | Resettled charges will be identified as such and reflected on a restated settlement statement for the applicable trade date |
| Resolution to disagreements spanning several years introduce financial risks to impacted <i>market participants</i> and the market | Financial risk will be mitigated by aligning obligations with the limitation periods, limitation of the resettlement period and the ultimate limitation period |

Current Process Opportunities and Benefits of the RSS (2 of 3)

| Current Process Opportunities | Expanded Scope Design Benefits |
|---|---|
| <p>Correction of errors and omissions are limited to the NOD process on Chapter 9 (settlement statement errors and omissions), and Chapter 6 and Chapter 10 (metering provisions)</p> | <p>Updated design and expanded settlement processes provide framework to support settlement of the IESO-Administered Markets (IAM) today and in the future with the addition of:</p> <ul style="list-style-type: none">• Disagreement provisions to bring forth claims related to errors in settlement processes• Each disagreement provision will have defined limitation periods• Ultimate limitation period• Calendar to restate settlement charges |

Current Process Opportunities and Benefits of the RSS (3 of 3)

| Current Process Opportunities | Expanded Scope Design Benefits |
|---|---|
| <p>Post-period and current period adjustments are applied to unrelated month-end PSS.</p> | <p>Adjustments to settlement charges after FSS will be reflected as follows:</p> <ul style="list-style-type: none">• If the disagreement or dispute resolution requiring resettlement is within two years from the monthly invoice in respect of that trade date(s), the trade date(s) will be resettled and reflected in a recalculated settlement statement (RCSS) for the applicable trade date• If the disagreement or dispute resolution requiring resettlement falls outside of that two year period, the IESO will apply a current period adjustment on the next available month-end PSS. |

Example of Resettlement Schedule

- Scheduled timelines for settlement statements to be issued for different sample trade dates

| Sample Trade Date | PSS | FSS | RCSS1 (as needed) | RCSS2 (as needed) | RCSS3 (as needed) | RCSS4 (as needed) | RCSS5 (as needed) | RCSS6 (as needed) | RCSS7 (as needed) |
|-------------------|-----------|-----------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| 02-Jan-20 | 16-Jan-20 | 30-Jan-20 | 13-Mar-20 | 16-Apr-20 | 15-Jul-20 | 15-Oct-20 | 15-Jan-21 | 15-Jul-21 | 14-Feb-22 |
| 15-Jan-20 | 29-Jan-20 | 12-Feb-20 | 13-Mar-20 | 16-Apr-20 | 15-Jul-20 | 15-Oct-20 | 15-Jan-21 | 15-Jul-21 | 14-Feb-22 |
| 31-Jan-20 | 14-Feb-20 | 02-Mar-20 | 13-Mar-20 | 16-Apr-20 | 15-Jul-20 | 15-Oct-20 | 15-Jan-21 | 15-Jul-21 | 14-Feb-22 |
| 03-Feb-20 | 18-Feb-20 | 03-Mar-20 | 16-Apr-20 | 14-May-20 | 17-Aug-20 | 16-Nov-20 | 12-Feb-21 | 16-Aug-21 | 14-Mar-22 |
| 27-Feb-20 | 12-Mar-20 | 26-Mar-20 | 16-Apr-20 | 14-May-20 | 17-Aug-20 | 16-Nov-20 | 12-Feb-21 | 16-Aug-21 | 14-Mar-22 |

Example of SSPC with RCSS runs

- RCSS details for trade month January 2020 (highlighted in blue)
- Statements issued on calendar day January 15, 2021 (highlighted in grey)

| Calendar Day | Day Sequence | PSS | | | | FSS | | | IESO Invoice Date for the Month of... | RCSS1 Month-end of 1st calendar month after TM | RCSS2 Month-end of 2nd calendar month after TM | RCSS3 Month-end of 5th calendar month after TM | RCSS4 Month-end of 8th calendar month after TM | RCSS5 Month-end of 11th calendar month after TM | RCSS6 Month-end of 17th calendar month after TM | RCSS7 Month-end of 24th calendar month after TM |
|--------------|--------------|-----------------------|-------------|-------------|-------------|-----------------------|-------------|-------------|---------------------------------------|--|--|--|--|---|---|---|
| | | TD + 10 Business Days | | | | TD + 20 Business Days | | | | | | | | | | |
| | | Trading Day | Trading Day | Trading Day | Trading Day | Trading Day | Trading Day | Trading Day | | | | | | | | |
| 13-Mar-20 | Friday | 28-Feb-20 | 29-Feb-20 | 01-Mar-20 | | 13-Feb-20 | | | February | Jan-20 | Dec-19 | Sep-19 | Jun-19 | Mar-19 | Sep-18 | Feb-18 |
| 16-Apr-20 | Thursday | 31-Mar-20 | | | | 17-Mar-20 | | | March | Feb-20 | Jan-20 | Oct-19 | Jul-19 | Apr-19 | Oct-18 | Mar-18 |
| 14-May-20 | Thursday | 30-Apr-20 | | | | 16-Apr-20 | | | April | Mar-20 | Feb-20 | Nov-19 | Aug-19 | May-19 | Nov-18 | Apr-18 |
| 12-Jun-20 | Friday | 29-May-20 | 30-May-20 | 31-May-20 | | 14-May-20 | | | May | Apr-20 | Mar-20 | Dec-19 | Sep-19 | Jun-19 | Dec-18 | May-18 |
| 15-Jul-20 | Wednesday | 30-Jun-20 | 01-Jul-20 | | | 16-Jun-20 | | | June | May-20 | Apr-20 | Jan-20 | Oct-19 | Jul-19 | Jan-19 | Jun-18 |
| 17-Aug-20 | Monday | 31-Jul-20 | 01-Aug-20 | 02-Aug-20 | 03-Aug-20 | 17-Jul-20 | 18-Jul-20 | 19-Jul-20 | July | Jun-20 | May-20 | Feb-20 | Nov-19 | Aug-19 | Feb-19 | Jul-18 |
| 15-Sep-20 | Tuesday | 31-Aug-20 | | | | 17-Aug-20 | | | August | Jul-20 | Jun-20 | Mar-20 | Dec-19 | Sep-19 | Mar-19 | Aug-18 |
| 15-Oct-20 | Thursday | 30-Sep-20 | | | | 16-Sep-20 | | | September | Aug-20 | Jul-20 | Apr-20 | Jan-20 | Oct-19 | Apr-19 | Sep-18 |
| 16-Nov-20 | Monday | 30-Oct-20 | 31-Oct-20 | 01-Nov-20 | | 16-Oct-20 | 17-Oct-20 | 18-Oct-20 | October | Sep-20 | Aug-20 | May-20 | Feb-20 | Nov-19 | May-19 | Oct-18 |
| 14-Dec-20 | Monday | 30-Nov-20 | | | | 16-Nov-20 | | | November | Oct-20 | Sep-20 | Jun-20 | Mar-20 | Dec-19 | Jun-19 | Nov-18 |
| 15-Jan-21 | Friday | 31-Dec-20 | 01-Jan-21 | 02-Jan-21 | 03-Jan-21 | 15-Dec-20 | | | December | Nov-20 | Oct-20 | Jul-20 | Apr-20 | Jan-20 | Jul-19 | Dec-18 |
| 12-Feb-21 | Friday | 29-Jan-21 | 30-Jan-21 | 31-Jan-21 | | 15-Jan-21 | 16-Jan-21 | 17-Jan-21 | January | Dec-20 | Nov-20 | Aug-20 | May-20 | Feb-20 | Aug-19 | Jan-19 |
| 12-Mar-21 | Friday | 26-Feb-21 | 27-Feb-21 | 28-Feb-21 | | 11-Feb-21 | | | February | Jan-21 | Dec-20 | Sep-20 | Jun-20 | Mar-20 | Sep-19 | Feb-19 |
| 16-Apr-21 | Friday | 31-Mar-21 | | | | 17-Mar-21 | | | March | Feb-21 | Jan-21 | Oct-20 | Jul-20 | Apr-20 | Oct-19 | Mar-19 |
| 14-May-21 | Friday | 30-Apr-21 | 01-May-21 | 02-May-21 | | 16-Apr-21 | 17-Apr-21 | 18-Apr-21 | April | Mar-21 | Feb-21 | Nov-20 | Aug-20 | May-20 | Nov-19 | Apr-19 |
| 14-Jun-21 | Monday | 31-May-21 | | | | 14-May-21 | 15-May-21 | 16-May-21 | May | Apr-21 | Mar-21 | Dec-20 | Sep-20 | Jun-20 | Dec-19 | May-19 |
| 15-Jul-21 | Thursday | 30-Jun-21 | 01-Jul-21 | | | 16-Jun-21 | | | June | May-21 | Apr-21 | Jan-21 | Oct-20 | Jul-20 | Jan-20 | Jun-19 |
| 16-Aug-21 | Monday | 30-Jul-21 | 31-Jul-21 | 01-Aug-21 | 02-Aug-21 | 16-Jul-21 | 17-Jul-21 | 18-Jul-21 | July | Jun-21 | May-21 | Feb-21 | Nov-20 | Aug-20 | Feb-20 | Jul-19 |
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| 15-Nov-21 | Monday | 29-Oct-21 | 30-Oct-21 | 31-Oct-21 | | 15-Oct-21 | 16-Oct-21 | 17-Oct-21 | October | Sep-21 | Aug-21 | May-21 | Feb-21 | Nov-20 | May-20 | Oct-19 |
| 14-Dec-21 | Tuesday | 30-Nov-21 | | | | 16-Nov-21 | | | November | Oct-21 | Sep-21 | Jun-21 | Mar-21 | Dec-20 | Jun-20 | Nov-19 |
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