



Market Renewal Program (MRP) - Comments received on the Draft FIT/RES Term Sheets

On December 04, 2019, the IESO released draft term sheets with proposed changes to be included in a future amendment as it relates to MRP impacts on both FIT and RES Contracts (together, the "Contracts"). The IESO requested comments and feedback. The IESO appreciates the comments and questions submitted by Contract counterparties and other stakeholders. All feedback received has been noted and will be considered as the IESO moves forward in addressing the Contract implications of MRP on both FIT and RES Contracts. Below, the IESO has provided a table that excerpts or summarizes specific feedback and questions received and provides responses to such feedback and questions. This document is provided for information purposes only. It does not constitute, nor should it be construed to constitute, legal advice or a guarantee, offer, representation or warranty on behalf of the IESO. In the event of any conflict or inconsistency between the information contained in this document and the Market Rules, the Market Manuals, any IESO Contract or any applicable legislation or regulation, the provisions of the Market Rules, Market Manuals, Contract, legislation or regulation, as applicable, shall govern. This document is being provided without prejudice to any party's rights or remedies under any Contract and does not constitute an amendment or waiver of any terms or conditions of any Contract.

If there are additional questions, or if further clarity is required, please contact Contract Management via email at:

[To download a copy of the publication - IESO's Approach to Amending Market Participant Contracts, click here.](#)

No.	Term Sheet	Comment	Response
1	FIT	We note that the details of any proposed changes to the Curtailment Agreement for the FIT contracts and Exhibit E, Section 1.5 of the LRP I Contract, which sets out the mechanism for calculating compensation for Foregone Energy, are not provided at all in the Term Sheet. It is unclear to us what "generally continue to apply" actually means.	The proposed revisions to the Curtailment Amendment are provided in Section 4 of Schedule A of the Term Sheet. The IESO anticipates that it will not be necessary to amend the Foregone Energy provisions of the Curtailment Amendment.
2	FIT	It is unclear as to how curtailment will work under LMP. It is not clear how the Total Accrued Exposure will accumulate under LMP.	The proposed revisions to the Curtailment Amendment are provided in Section 4 of Schedule A of the Term Sheet. The IESO anticipates that it will not be necessary to amend the Foregone Energy provisions of the Curtailment Amendment.
3	FIT	CMSC is not addressed in the Term Sheet beyond mentioning it will be replaced with a new type of make-whole payment to be introduced under MRP.	Once the names and descriptions of any relevant make-whole payments are identified and described in either the MRP detailed design documents or the Market Rules, and to the extent that they are relevant to the Contracts, they will be incorporated into updated Term Sheets.
4	FIT	The comments pertaining to the "availability declaration envelope" are unclear in terms of impact to the Contract. Is the IESO suggesting that if a future amending agreement does not conform to the principles set out in the Term Sheet then there would be a specific obligation for the Contract Facility to participate in the Day-Ahead Market?	The IESO drafted the Term Sheets based on the High Level Design (HLD) documents and notes that the HLD makes reference to a potential implementation of an "availability declaration envelope" (ADE) as a transitional measure if resources do not have the proper incentives to participate in DAM. The IESO believes that the Term Sheet provides the appropriate incentive to participate in the DAM. IESO's Contract Management cannot comment on whether an ADE will ultimately be a feature in the detail design or the Market Rules as this is a market design decision. To the extent that it is, they IESO will review the Term Sheet to ensure that the proposed mechanism works with the mechanics of the market.
5	FIT	We note that the Term Sheet states the IESO proposes to finalize the amending agreement "on or about the same time as final or near-final IESO Market Rules for MRP are published". We believe this is too late in the process and it would be better to finalize contemporaneously with the finalization of the MRP design with a provision to re-open the amending agreement if the IESO Market Rules implementing MRP differ materially from the MRP final design.	The IESO supports the notion of agreeing to amendments prior to the publication of final or near-final IESO Market Rules. However, the IESO does not support the notion of re-opening amending agreements once they have been executed, giving due consideration to the value of contractual certainty as well as the time, effort, and costs to both the IESO and Suppliers associated with amending Contracts. Hence, it is important to find the right timing where amendments can be finalized earlier in the process, with execution occurring when the parties have reasonable certainty of the Market Rule changes, therefore limiting the risk of multiple amendments.
6	FIT	The Term Sheet does not include the term of the amending agreement. We believe given the MRP is a new initiative that is a significant departure, that the amending agreement should have a provision for either party to re-open the agreement after one or two years after the MRP is implemented.	As noted above, the IESO does not support the notion of re-opening amending agreements once they have been executed, giving due consideration to the value of contractual certainty as well as the time, effort, and costs to both the IESO and Suppliers associated with amending Contracts. It is also unclear to the IESO what the proposed criteria would be to contemplate a re-opener and how something like this would be applied to all Contracts in a standard offer program. The IESO also notes that the terms of the Contracts would continue to apply if Contract provisions are triggered due to future changes in Market Rules.
7	Both	We request clarification on the term "Reference Offer" of both Term Sheets as it indicates reference offers being submitted at \$0/MWh. We wish to clearly understand the need and applicability of this definition and ensure that it does not limit or interfere with our right to submit price offers at different amounts as the market currently allows, which is \$0 - minus \$3 per MWh for the first 90% of capacity and \$0 - minus \$15 per MWh for the last 10% of capacity.	The reference price of \$0 is only used for the purposes of determining the reference quantity offered/scheduled in the day-ahead. Since the proposed approach allows Suppliers to deviate from IESO's forecasted quantity, a mechanism is required to determine the quantity for day-ahead Contract settlement without restricting or examining actual price and quantity offers in the market. A value of \$0 was selected because it is considered to be a rational offer in the day-ahead timeframe. For example, as long as the market price is above \$0, generators should always get scheduled for the IESO's forecast quantity if they bid \$0. If a generator's actual price offer in day-ahead was less than the locational market price (e.g., offered \$-2, market is at \$-1), then the actual offer should be picked up, but the IESO would assume that the generator was not scheduled in the day-ahead for Contract settlement purposes. In that case, Contract settlement would assume zero day-ahead schedule and would revert to only account real time market revenues or curtailment in real-time if applicable. Examples can be found in the presentation from April 1, 2019, published on the IESO website.
8	FIT	What happens if the forecasting entity fails or ceases to forecast, on a DA basis, the amount energy to be available from the Facility for one or more Dispatch Intervals? Also, even if they do forecast it, what if that forecast is not communicated to the Supplier in time? How do we ensure that the Supplier has access to the forecast in sufficient time to make its DA offer?	The IESO understands the concern and will propose a solution to address this concern in an updated Term Sheet.
9	FIT	The Term Sheet should specify that if no forecast is published in the prescribed manner, then for the purposes of the "Reference Offer", there needs to be a provision setting out what the FDAQ is deemed to be.	The IESO understands the concern and will propose a solution to address this concern in an updated Term Sheet
10	FIT	Appendix 1 of the FIT contract should be amended by deleting the definition of HOEP.	This will be addressed in the next draft of the Term Sheet.

11	FIT	<p>The proposal to change HOEP to ARTLMP is unfair to Suppliers.</p> <p>Section 5.2 provides that the Supplier must post security in the event that average HOEP exceeds 75% of the Contract Price. Suppliers would have assessed the likelihood and likely timing of this occurring before deciding to enter into FIT contracts. Based on the IESO's principal of not extracting value, the likelihood of Section 5.2 being triggered and of security having to be posted should not increase.</p> <p>Because LMP prices will vary from zone to zone, they cannot and will not all be the same as HOEP would have been in the absence of MRP. In some zones, LMP will necessarily be higher than HOEP would have been. As a result, for Facilities in those zones where LMP is higher than HOEP would have been, Section 5.2 may be triggered as a result of LMP reaching 75% of the Contract Price, even though in the absence of MRP, HOEP might not have ever reached 75% of the Contract Price.</p>	<p>The IESO's view is that the replacement of HOEP with ARTLMP is consistent with the FIT Contract. We note that Appendix 1 of the FIT Contract states that HOEP has the meaning given to it by the IESO Market Rules or shall mean any replacement thereof or successor thereto.</p>
12	RES	<p>RES II Contracts contain a Performance Incentive Payment and it is unclear how the IESO proposes to amend this provision.</p>	<p>The IESO does not intend to amend the Performance Incentive Payment provision in the RES II Contract.</p>
13	FIT	<p>How will distribution connected Contracts be treated under MRP?</p>	<p>Changes to Contracts with Facilities that are distribution connected will follow changes that will be prescribed by the Retail Settlement Code (RSC). Contract amendments can only be drafted and subject to Contract counterparty consultation when the RSC provisions are known.</p>
14	Both	<p>Why is the IESO choosing the DA floor price to be \$0?</p>	<p>The IESO is not proposing a floor price. Please refer to the IESO response to # 7 above.</p>