

# Memorandum

**To:** Stakeholder Advisory Committee

**From:** Jessica Savage, Program Delivery Executive

**Date:** September 21, 2022

**Re:** IESO Business Update – Market Renewal Program Update

As indicated in the July 6 Market Renewal Program (MRP) update to the SAC, the previously projected in-service date of November 2023 is no longer feasible. Integrating the foundational changes required across the more than 10 legacy systems that work together to dispatch and settle the wholesale electricity market requires more time for solution development and testing than originally anticipated. The project is at a stage where the information necessary to more accurately build the schedule is available, including the detailed system requirements and the associated vendor validated solution development times. This allowed IESO to complete a thorough review of the schedule resulting in a revised in-service date of May 2025, and a forecast budget of \$233 million.

The revised budget estimate of \$233 million, including contingency, is \$55 million higher than the previously approved budget of \$178 million. The revised budget is higher due to increased costs to modify the IESO's IT systems, and increased labour costs arising from the longer project duration.

The MRP Business Case, developed in 2019, has been re-validated and is expected to continue to provide significant value to Ontario consumers after accounting for the new project schedule and budget. To support this validation effort, the IESO has prepared a [background memo](#) containing further detail. In summary, the scope of the project has not changed, and the benefits described in the original version remain. The review shows that the renewed market will deliver at least \$700 million in net financial benefits to Ontario consumers over the first 10 years of operation.

The IESO regrets the delay, and appreciates that changes to the schedule have made it difficult for market participants to plan and resource their efforts to support these changes, and have confidence in the timeline. Given that the systems MRP is changing are integral to reliability and accurate settlement of the wholesale electricity market – it is imperative that IESO and market participants have sufficient time to test and prepare for these changes. The IESO is committed to this schedule and is confident it is achievable as many of the previous uncertainties have been addressed through completion of business requirements, vendor validation of timelines, and a peer review of the overall schedule. Further, the revised schedule

provides stakeholders with additional time for review of Market Rule amendments and to complete their own readiness activities, and it is not expected to impact other key IESO initiatives such as Resource Adequacy and the Enabling Resources Program.

The IESO has launched and convened the first meeting of a new Implementation Working Group to support MRP. The group will continue to meet bi-monthly to provide strategic advice on navigating implementation issues, participant readiness timelines in the project schedule, among other matters. Further, the IESO will begin publishing additional detail on project progress, including measurements relating to the project plan on a quarterly basis starting in October. This new reporting on project progress will hold the IESO accountable to the revised schedule and budget, and increase transparency for stakeholders as the project moves ahead.

MRP remains imperative for the transformation of Ontario's electricity system to ensure efficient operation of existing resources and to enable the effective integration of new resource types. Effective integration of storage and other new resource technologies would not be possible in today's two-schedule market without significant compromise to their potential and increased integration costs.

The IESO looks forward to continued collaborative discussions with stakeholders, and ongoing updates to SAC on this critical project.