

# Memorandum

To: Technical Panel

From: Adam Cumming

Date: June 18, 2020

Re: MR-00443: Transmission Rights Clearing Account (TRCA) Disbursements

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The IESO is proposing to amend the market rules that provide the methodology for the disbursement of surplus funds from the transmission rights clearing account (*TR clearing account*). The proposed change to the market rules would see surplus amounts in the *TR clearing account*, above the reserve threshold, divided among *market participants* based on the type of *transmission service charges* paid.

The total disbursement amount will be divided into two pools based on the type of *transmission service charges* paid by *market participants*. One pool will be disbursed among market participants that have paid *export transmission service (ETS)* charges and a second pool will be disbursed among market participants that have paid provincial transmission service (PTS) charges. Within each pool, disbursements to individual *market participants* will be on a pro-rata basis across all allocated quantities of *energy* withdrawn at either *RWMs* or *intertie metering points*.

The IESO has revised the proposed effective date of this market rule amendment to May 1, 2021 in response to stakeholder feedback. The first disbursement under the amended rules would happen for the May 2021 settlement for the six-month period from November 2020 to April 2021. This change to the proposed effective date is intended to balance stakeholder perspectives including the Market Surveillance Panel, Ontario consumers and impacted *market participants*.

## Background

At the May 26<sup>th</sup> Technical Panel meeting, Technical Panel members requested that the IESO update its analysis on the TRCA disbursement methodology to understand the impacts of this change on energy exports during the COVID-19 pandemic. The IESO has completed this analysis and posted it on the Market Development Advisory Group (MDAG) [webpage](#). It has been determined that COVID-19 has had a significant impact on Ontario energy demand with an approximate reduction of 7.7% (compared to 2019) and an approximate 30% increase in total exports. The IESO has received mixed feedback on whether the TRCA disbursement impacts trading behaviour. Under the scenario where the disbursement does impact trading behaviour, the results of the IESO's analysis show that if all export bid prices were reduced by \$1/MWh

(\$1/MWh TRCA disbursement value was consistent with the TRCA disbursements made in May 2019 and December 2019), less than 1% of exports that were scheduled in March 1 – May 23 2020 would not have been scheduled.

In addition to the request for information related to COVID-19 on energy exports, the Technical Panel voted to post the proposed *market rules* amendment for broader stakeholder comment. The IESO notified stakeholders of this in the May 28<sup>th</sup> IESO Bulletin, where stakeholders were requested to submit feedback by June 11<sup>th</sup>. No stakeholder feedback was received during this period; however, stakeholders were provided an additional week, until June 18, to review the impact analysis mentioned above and asked to submit comments to inform the Technical Panel discussion on June 23. Feedback received will be posted to the Technical Panel webpage prior to the June 23<sup>rd</sup> meeting. A summary of the stakeholder feedback received during previous engagements is listed below.

### **Stakeholder feedback**

These proposed market rule amendment was reviewed by stakeholders participating in an active TRCA engagement initiative. Information on those sessions, including presentation materials and stakeholder feedback can be found on the [MDAG webpage](#).

Stakeholders, including MAG Energy Solutions Inc., Customized Energy Solutions, and the Association of Power Producers of Ontario (APPrO), raised concerns with the disbursement methodology suggested in the Brattle report. Additionally, MAG Energy Solutions Inc., APPrO, Peak Power, and Customized Energy Solutions raised concerns about the implementation date of the proposed market rule amendment. While the MSP has recommended an immediate implementation for the proposed changes, other stakeholders have suggested a later implementation date to account for long term *Transmission Rights* secured with the current disbursement methodology in the market rules.

The proposed amendment attempts to balance the feedback received from all stakeholders. The IESO is proposing to follow the disbursement methodology suggested by the MSP, which will see exporters continue to receive a portion of disbursements while ensuring that a greater portion of disbursements are given to the consumers that bear the vast majority of system costs (such as Global Adjustment). The proposed implementation date is intended to strike a balance between the recommendation of the MSP (immediately suspend all disbursements) and the opinion of other stakeholders who want to see the implementation delayed until after the end of current TR contracts. Some stakeholders continue to raise concerns with the methodology and the timing of implementing the changes to the TRCA.

### **Recommendation**

In light of stakeholder feedback received from various sides of the issue, and based on the findings of the analysis of the impact of COVID-19, the IESO recommends that the Technical Panel vote to recommend MR-00443-R00: Transmission Rights Clearing Account Disbursements to the IESO Board for consideration at its June 23 meeting.

The IESO is proposing that this market rule amendment have an effective date of May 1, 2021, in order to align with the *TR clearing account* disbursement schedule. The first disbursement

under the amended rules would be for the May 2021 settlement for the six-month period from November 2020 to April 2021.

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