

# Member Vote and Rationale – MRP Market Power Mitigation

## IESO Technical Panel - March 22, 2022

The vote to provisionally recommend the proposed market rule amendments (MR-00455-R00, MR-00461-R01) for consideration to the IESO Board of Directors passed with nine members voting for it and 5 abstained at the March 22, 2022 Technical Panel meeting.

### MR-00456, MR-00461 – MRP Market Power Mitigation Batch

TP Member	Vote and/or Rationale
Nick Papanicolaou (Consumer)	<p>For: It is in my opinion the IESO has conducted fair and extensive stakeholder engagement and has satisfactorily responded to questions and concerns. Furthermore, at the TP's request, provided the outcome of scenario examples to clarify the MPM rules and the reference level process. Notwithstanding that there are still outstanding concerns; valid, with which a final solution has not yet been articulated, The IESO has in my opinion adequately described dispute resolution processes and notice of disagreement processes for which the outstanding concerns can be addressed. It is reasonable to suggest that more scenarios and concerns will arise as this batch progresses and therefore the progress is required to develop more holistic understanding of how to apply the applicable manuals to the rules.</p> <p>I believe the rules are in line with the intent of this MPM batch and fair resolution to the remaining concerns of stakeholders can be carried as this batch of rules move forward.</p>
Indra Maharjan (Consumer)	For

TP Member	Vote and/or Rationale
Forrest Pengra (Residential Consumer)	<p>For: I voted to provisionally recommend MR-00461-R01, as I believe from the residential perspective the risk to consumers is low. I believe this is due to the nature of creating a more competitive marketplace and consumer protections explicitly built into the market. The IESO clearly and concisely responded to my inquiry and satisfied the remaining concerns I had to provisionally recommend. I do however hope to have some wholesome discussion around what this means for resources like hydroelectric. The letter from H2O Power as well as the discussion that Jason Chee-Aloy led concerned me greatly. That said, I believe in the process and put trust into the IESO to work toward addressing these concerns prior to the final vote to recommend.</p>
Emma Coyle (Generator)	<p>Abstain:</p> <ul style="list-style-type: none"> <li>• Following consultation with APPrO members, review of stakeholder materials (including detailed design documents) and consideration of IESO responses to panel member questions, I remained significantly concerned regarding the insufficiency of the Independent Review Process, and determined that the proposed amendments did not reflect drafting capable of addressing these concerns.</li> <li>• My understanding of the detailed design is that prices in the energy market should reflect economic dispatch of resources offered at their marginal cost. Materials presented by the IESO raised enough concern for me that this design intent was not reflected in the drafting, such that I decided to abstain.</li> <li>• My vote is not a reflection of my assessment of IESO staff efforts, which I consider having been, and continue to be, significant. My vote is entirely related to my concerns regarding the drafting of proposed amendments and ability of the proposed framework to give effect, on an enduring basis, to the MRP design.</li> </ul>

Jason Chee-  
Aloy  
  
(Renewable  
Generators)

Abstain: With input from CanREA, OWA, and renewable generators, MPM is a new, complex, and significant part of MRP that can be very impactful to operations of renewable generators (especially those located in Northern zones where transmission constraints project to occur relatively frequently).

The reasons for the abstaining vote are summarized by these concerns:

(i) Better understanding and information is first needed regarding how renewable generators will be scheduled/committed and dispatched based on DAM and ERUC, including price formation and settlements from DAM and the real-time market, prior to fully assessing impacts of the MPM amendments to the Market Rules.

- For example, in today's market when water is scarce creating energy production limitations, certain hydroelectric generators necessarily offer high prices to signal to IESO their desire to not produce energy or not be scheduled for OR supply during dispatch hours/intervals when this supply is not most needed by the power system. However, under MRP if these generators are located within an IESO pre-determined transmission constrained location on the grid, their offer prices will be replaced with pre-determined Reference Levels if IESO found these generators to be exercising economic withholding. The result of this may require these generators to produce energy or be scheduled for OR during hours/intervals that are sub-optimal in accordance with power system needs and market signals – creating an inefficient outcome. In turn, this could then force these generators to be cautious in how they offer energy and/or OR supply, which could result in less energy and/or OR supply. Finally, this offer behaviour change could then trigger settlement charges being levied against these generators if IESO found these generators to be exercising physical withholding. To add to this example, hydroelectric generators must adhere to regulatory requirements relating to water management and require feasible schedules from IESO toward managing water to efficiently produce energy and supply OR.

(ii) The process to establish Reference Levels and Reference Quantities is on-going and proving to be challenging for some hydroelectric generators (e.g., establishing opportunity costs, defining 'scarcity', etc.). Therefore, these challenges may prove to be indications of future challenges to revise Reference Levels and Reference Quantities.

(iii) Even though the Independent Review Process was created in response to stakeholder concerns raised during MRP design consultations, there are aspects of the Independent Review Process that

TP Member	Vote and/or Rationale
	<p>are not fair to Market Participants that trigger the Independent Review Process. For example, some aspects regarding Market Participant recourse are not clear (i.e., can the Dispute Resolution Process in the Market Rules be triggered based on how IESO may or may not apply or interpret a market rule?) or insufficient (i.e., 60-day lag to trigger Independent Review Process if no third-party consultant responds to IESO's RFP, IESO can reject independent third-party consultant's recommendations under some circumstances).</p>
<p>Jennifer Jayapalan (Energy Storage)</p>	<p>Abstain: MPM is a new and complex part of MRP that has the potential to be impactful to the market and within it, operations of electricity storage facilities. While it is directionally appropriate, at this point in time, it is still unclear what the impact will be on pricing, operations or subsequent scheduling of electricity storage resources. More understanding and information is required regarding how electricity storage resources will be operating (bid/offer expectations, how they are scheduled, committed and dispatched with resulting settlements) in both DAM and RT, prior to being able to fully assess impacts of the MPM amendments to the Market Rules.</p> <p>Multiple types of technology exist within the same ES category, all with their own cost, duration and output considerations. While it is understood that ES is not an inherent part of MRP, translating the significant operational flexibility different ES resources can bring from operation under the interim storage design to MRP and MPM in order to assess the impact and intent of the MPM rules is challenging without more context or understanding. While this understanding may be resolved with further batches and end to end examples, at this point in time, whether the MPM rules are written in a way that fulfills the intent of the design in relation to electricity storage participation is unclear.</p>

Vlad Urukov  
(Generator)

Abstain: My rationale for abstaining from voting on the MRP Batch 2, comprising MR-00455-R00 and MR-00461-R01, is as follows:

Guided by the Technical Panel Terms of Reference, a vote on any market rule amendment, including MRP Batches, is ultimately a contemplation on whether a proposed rule language meets the final design intent of a proposed change.

As reiterated by the IESO at the March 22 meeting, the intent of the Market Power Mitigation (“MPM”) is to “ensure price fidelity and effectively limit intervention” in instances when participants may be able to exercise Market Power.

Additionally, as shared with the Technical Panel in a document dated February 4, 2020, the IESO committed to “provide draft market manual content during an engagement initiative that is key to understanding the obligations and impacts of changes to the market rules.”

Informed by the above, in order to assess if the language provided ensures that the proposed MPM is effective, which in this context is a bi-directional requirement that includes both the IESO and market participants, the MPM and its Independent Review Process (“IRP”) needs to be sufficiently completed and understood. As noted by the IESO in its responses to market participant comments (Response 34A), the IRP is still being developed, with further Market Manuals to be posted for stakeholder feedback in order to fully define the IRP process.

Additionally, discussion on particular reference levels, a key input to the MPM framework which replaces participant offers with reference offer curves, has just been initiated for fuel types, such as hydroelectric, expected to experience potentially frequent mitigation based on their marginal and fuel limited nature. The full conclusion of the reference level work stream is a key outcome required for the evaluation of the effectiveness of the MPM when applied in a locational context to Ontario’s generators and loads. The contemplated IRP appears to be built around certain assumptions of frequency of use, which in turn is not something that can be credibly assessed absent the aforementioned pieces of information. At this stage, in contemplation of the possible end result of reference level discussions, some scenarios give rise to concerns about the robustness of the process and the possible shifting of a financial burden to participants without a reasonable recourse.

Similarly, when it comes to price fidelity, the outcome of upcoming reference level discussions as well as currently posted features in the calculation engine are both key pieces in the determination of how

TP Member	Vote and/or Rationale
	<p>locational based marginal prices will be altered under ex-ante economic withholding mitigation, both in frequency of occurrence and magnitude.</p> <p>In summary, lacking a full picture of MPM and all of its parts prohibits a comprehensive assessment of the proposed language against the stated goals of the program and is my reason for abstaining from voting on this Batch at this time.</p>
<p>Robert Reinmuller (Transmitters)</p>	<p>For: Directionally the process has continually evolved through development and stakeholdering and while there are some concerns regarding the actual process details for cost recovery and dispute resolution, there is sufficient evidence that we are aligning with the spirit of the initial goal. The IESO has articulated that as we converge on the final procedural steps the industry feedback will be used to adjust and refine the final process. As a result, I see the need to move forward and allow for the process to be adaptable and flexible overtime, rather than stop to converge on every detail. This iterative process will allow the industry to converge and get us closer to a final process.</p>

TP Member	Vote and/or Rationale
Rob Coulbeck (Retailers or Wholesalers)	<p data-bbox="435 186 1377 457">For: I voted for provisional recommendation to the Board of the Market Renewal Market Power Mitigation package. My vote recognizes the fact this is a provisional recommendation and outstanding items will be resolved prior to the final vote for the Market Renewal package as a whole. Should there remain outstanding items at the time for the final vote I will change my vote and recommend the Board request the IESO and participants resolve the outstanding item.</p> <p data-bbox="435 485 1377 716">In my opinion there are still many concerns related to the Market Power Mitigation rules but I anticipate most, if not all, of these will be better understood and hopefully alleviated as the remaining rules are solidified. The primary concern I have is related to the impact on Hydroelectric generation and the ability for owners of this resource to maintain control of the dispatch in all timeframes under constrained conditions.</p> <p data-bbox="435 743 1377 848">The concerns raised regarding treatment of storage resources is real and will need to be addressed once the final model for storage assets is developed post implementation of Market Renewal.</p> <p data-bbox="435 875 1377 1346">Concerns regarding a resource’s reference levels being lower than a perceived short-run marginal cost and the impact on the market price are mis-guided. There have been, and will continue to be, disagreements on what costs should be included in the marginal costs for all assets but definitely for non-quick start resources. In the current market and post implementation of Market Renewal resources will offer below their short-run marginal costs for reasons other than recovery of their marginal costs. For example, in the current market non-quick start resources consistently offer below their short-run marginal costs to protect against being imputed and incurring INR. This behaviour will continue until all the contracts expire and will have impact price for all assets participating in the market.</p> <p data-bbox="435 1373 1377 1562">I do believe the IESO and market participants have done a great job getting the Market Renewal rules to the point I am able to provisionally recommend the Market Power Mitigation rules to the Board. But, there is still more work to do and I look forward to working on the outstanding issues.</p>

TP Member	Vote and/or Rationale
Dave Forsyth (Consumer)	For: I supported the provisional recommendation of the Market Power batch rules with emphasis on the “provisional” qualification. I do share concerns of other TP members with the proposed rule changes and urge the IESO to address these issues with stakeholders before the rules are presented for final vote to recommend. The associated Market Manuals changes must be complete to support the final vote.
Ron Collins (Energy Related Businesses and Services)	<p>For: I recommend MR-00455-R00 &amp; MR-00461-R01 Market Power Mitigation to the IESO Board for consideration based on the following rationale:</p> <p>The amendments to the IESO Market Rules create a framework that allows for the advancement of the Market Renewal Program; however, it is light on clarity and content. In part this is to be expected given the complexity of the task at hand and interplay with development of other elements, however it has created confusion, and uncertainty in the Market. Many of the processes are not fully flushed out or clearly defined. This leaves the Market Participant uncertain to what the impact will be to their operations. To effectively advance the Market Renewal Program additional resources may be required for the education of Market Participants on specific subjects. Further, many issues remain outstanding, and these must be addressed if the IESO is to be successful in the Market Renewal Program. My decision to support the motion relies heavily on the provisional nature of the vote and the IESO staff expressing its intentions to create a transparent and effective market.</p>
Sarah Griffiths (Demand Response)	Abstain: I believe there are many questions that have been posed by market participants that are still unanswered.
Joe Saunders (Distributor)	For: I voted in favour of the motion since it is a provisional recommendation to the IESO Board, to amend Market Rules - Market Power Mitigation MR-00455-R00 and MR-00461-R01, with a final vote when a complete package is available. There are a number of questions raised by the Technical Panel which have not been answered, by voting yes, it will allow the process to keep moving forward. It is my expectation that all outstanding questions will be addressed in advance of the vote for recommendation to the IESO Board.



<b>TP Member</b>	<b>Vote and/or Rationale</b>
David Short (IESO)	<p>For: I voted in favour to provisionally recommend these rules.</p> <p>The Technical Panel is to ensure the rule language meets the final design intent of the proposed change. I believe in that regard, the IESO has worked effectively with stakeholders to develop a set of MPM rules that provides both value for ratepayers while enabling supply resources to recover, at a minimum, their short-run marginal costs thru the energy market.</p> <p>Participants have been involved in stakeholdering over the last few years and with this latest chapter participants, and panel members, submitted hundreds of questions and the IESO has responded in a thorough and comprehensive manner. In particular, I note that the IESO has committed to further stakeholdering around IRP, and any changes are expected to be isolated to the manuals as IESO staff believe the rules provide sufficient grounding for the manuals to lay out the details for IRP.</p> <p>Given this, I believe the rules appropriately reflect the design intent to enable provisional approval. The panel can revisit these rules should matters arise in subsequent MRP rulesets that have yet to come to the Technical Panel for review.</p>