

# Stakeholder Feedback and IESO Response

## Market Renewal Program: Final Alignment market rule amendment proposals – Technical Panel September 10, 2024

ID	MP	Section	Feedback	IESO Response
1.	Vlad Urukov	MPM Working Group	IESO’s communication, my comments (below), and the IESO’s response to these comments (as well as any other comments from TP members) should form part of the TP’s record to add transparency and visibility to discussions that pertain to Market Rule amendments. Please let me know if that makes sense and if the request can be accommodated.	The IESO agrees that its email communication to Technical Panel (TP), the comments received in reply, and the IESO’s responses should form part of the official TP record. These items have been posted to the Technical Panel Meetings and Materials webpage.
2.	Vlad Urukov	MPM Working Group	The proposed rule language in A.2 reflects IESO’s communicated intent: ... “the IESO recognizes the possibility that operational experience with the MPM framework may suggest further refinements to the design, including with respect to avenues for recourse.”	As identified in the IESO’s proposal, and further clarified in the IESO’s August 28 <sup>th</sup> email to Technical Panel, the phrase: “recommending means to address such unintended outcomes” can include potential recommendations with respect to avenues for recourse if needed. The IESO believes that adding the phrase: “...including with respect to avenues for recourse” to the market rule may suggest

ID	MP	Section	Feedback	IESO Response
			<p>I suggest that the IESO add the language in yellow to the transitional A.2. The addition of the word “potentially” reflects the timing of the creation of the MPM WG at which point impact would be hypothetical.</p> <p>A.2 The IESO shall establish a working group the objective of which will be to assist in identifying unintended outcomes of the market power mitigation framework and <del>considering recommending</del> means to address such unintended outcomes, <b>including with respect to avenues for recourse</b>. The working group shall serve as an advisory body to the IESO and <del>the Technical Panel, and</del> shall consist of both IESO staff and representatives from <b>potentially</b> impacted parties. The working group will perform its function until a date that is one year following the market transition completion, or for such longer period as may be agreed to as between the IESO and the working group.</p>	<p>that discussion with respect to recourse should feature more prominently in the Market Power Mitigation (MPM) Working Group (WG) than the IESO expects will be needed given that not every issue discussed may lead to some form of recourse, and given that the operation of the established recourse mechanisms (such as market rule amendment proposals) will be implied by the recommendations of the MPM WG.</p> <p>Further, the IESO believes that additional details describing the activities of the MPM WG should be considered by the group itself and set out in the group’s Terms of Reference. The IESO is proposing to solicit Technical Panel member feedback on the Market Power Mitigation Working Group composition and Terms of Reference at the Technical Panel meeting on October 15.</p> <p>The IESO agrees that amending the phrase “impacted parties” to read: “potentially impacted parties” clarifies the intent of the proposal. The IESO will include this amendment in its proposal to the IESO Board.</p>

ID	MP	Section	Feedback	IESO Response
3.	Vlad Urukov	MPM Working Group	The IESO add language to the transitional section of the Market Rules that captures the communicated intent found on slide 7 of the August 15th presentation titled “MRP: Monitoring and Addressing Potential Issues and Unintended Consequences Associated with the Market Power Mitigation Framework”. Specifically, the language should formally capture the IESO’s stated intent to apply discretion to determine whether an assessment is warranted.	<p>MR. Ch.0.7 ss.22.15 and 22.17 are intentionally drafted to provide the IESO with discretionary authority to determine whether assessments are warranted and to issue requests for information to Market Participants. As such, it is not necessary or practical to provide additional discretionary authority in the transitional market rules.</p> <p>Where there is discretion in determining when to perform an assessment for physical withholding, the IESO will consider both potential unintended interactions between ex-ante and ex-post mitigation, and the volume of potential physical withholding situations being identified, as committed to during the recent TP sessions.</p>
4. ,	Vlad Urukov	MPM Working Group	Secondly, in relation to the “thorough review of the underlying issue”, which I believe is a direct reference to the work of the MPM WG captured in A.2, the language should recognize the role of the MPM WG. Participant should be able to trigger a review and the MPM WG render an opinion on “whether an assessment is warranted” in light of “excessive number of offers....” being subject to ex-post mitigation received by a participant even if the IESO did not identify them as “excessive” in the first place (as the term “excessive” carries a great deal of subjectivity).	Market Participants will be able to raise potential issues with either the IESO or WG members. It would then be the responsibility of the MPM WG to make recommendations with respect to the priority of issues for assessment and their materiality. The IESO does not believe that any additional authority in the market rule is required to make this process explicit. Additional procedural details can be tabled and formalized by the MPM WG, once established and as appropriate.
5.	Vlad Urukov	MPM Working Group	Thirdly, the existing Recourse Mechanisms (as captured on slide 9 of the August 27th presentation titled “Market Renewal Project...” ) as applied to Ex-Ante Mitigation carry high degree of ambiguity particularly as related to the applicability of the Notice of Dispute process – that uncertainty was acknowledged during the IESO’s August	During the August 27 <sup>th</sup> discussion with Technical Panel, the IESO acknowledged uncertainty with respect to the outcomes of potential disputes under the market rules, but did not acknowledge ambiguity with respect to the application of either the dispute resolution process or Notice of Disagreement (NOD) process to Ex-Ante Mitigation.

ID	MP	Section	Feedback	IESO Response
			<p>27th presentation on this topic. As such, Ex-Ante mitigation carries elevated participant risk compared to Settlement Mitigation and Ex-Post Mitigation which are subject to the NOD process (as a precursor to a possible Notice of Dispute) by virtue of their direct linkage to settlement outcomes.</p> <p>As Ex-Ante mitigation has a direct impact on a participant's LMP, any incorrect implementation of determinants and processes that trigger offer mitigation would also have a similar impact to the instances captured in 8.4A.3B.2. Based on the above, and absent an ability to administer prices in such circumstances, I believe this potential issue can be addressed by added transitional language that recognizes Ex-Ante matters contemplated by the MPW WG as subject to the Notice of Dispute process (section 2.5 of Ch 3).</p>	<p>The broad application of the dispute resolution regime is described in MR. Ch.0.3 s.2.2 and would include disputes with respect to the application of Ex-Ante Mitigation.</p> <p><b>2.2 Application</b></p> <p>2.2.1 Subject to sections 2.2.3 and 3.8 and to MR Ch.2 s.8.8.1, the dispute resolution regime provided for in this section 2 shall apply to:</p> <p>2.2.1.1 any dispute between the <i>IESO</i> and any <i>market participant</i> which arises under the <i>market rules</i>, <i>market manuals</i> or any standard, policy or procedure established by the <i>IESO</i> pursuant to these <i>market rules</i>, including with respect to any alleged violation or breach thereof, whether or not specifically identified in the <i>market rules</i> as a dispute to which this section 2 applies;</p> <p>With respect to the expressed concern that Ex-Ante Mitigation carries elevated participant risk compared to Settlement Mitigation and Ex-Post Mitigation, the IESO understands this comment as referencing a concern that delays in identifying unintended outcomes of the MPM framework may preclude participants from being able to challenge corresponding settlement impacts given time restrictions pertaining to the NOD process set out in MR. Ch.0.9 s.6.8.</p> <p>The IESO notes that MR. Ch.0.9 s.6.9.1 provides that, if the IESO becomes aware of a possible error within an IESO system or settlement process that a market participant would not have reasonably been able to identify and address through section 6.8, and which may result in settlement amounts being calculated incorrectly, the IESO shall use the information available to the IESO to consider the possible error and to make corrections where a material adjustment is warranted.</p> <p>In addition, not all challenges to Ex-Ante mitigation would require the filing of a Notices of Disagreement as a procedural pre-condition to initiating a Notice of Dispute.</p>

ID	MP	Section	Feedback	IESO Response
6.	Lukas Deeg	MPM Working Group	<p>In addition to the changes to the language that you included in your email, I would recommend that the provision also be amended as follows:</p> <p>A.2 The IESO shall establish a working group the objective of which will be to assist in identifying unintended outcomes of the market power mitigation framework and recommending means to address such unintended outcomes, <b>including avenues for recourse</b>. The working group shall serve as an advisory body to the IESO and the Technical Panel, and shall consist of both IESO staff and representatives <del>from</del> <b>appointed by impacted parties</b>. The working group will perform its function until a date that is one year following the market transition completion, or for such longer period as may be agreed to as between the IESO and the working group.</p>	<p>Regarding the recommendation to include the phrase “including avenues for recourse”, please see the IESO’s response to ID.2.</p> <p>With respect to the recommended addition of the phrase: “...appointed by impacted parties”, the IESO notes that it would be the responsibility of the IESO, and not impacted parties, to appoint members to the MPM WG. While the IESO’s appointments would be informed by recommendations from impacted parties, the IESO would also be responsible for ensuring that the MPM WG includes appropriate representation from all classes of potentially impacted parties. However, see ID.7 below regarding the October 15<sup>th</sup> Technical Panel meeting.</p>
7.	Lukas Deeg	MPM Working Group	<p>I would like to better understand who the IESO is considering as the “impacted parties” referenced in the provision. I assume the generating community will be well represented on the working group, but will there be others? Considering the complexity of market power mitigation, what qualifications will be considered?</p>	<p>The IESO considers the class of impacted parties to be broader than the generating community and may include impacted load resources and consumer representatives.</p> <p>The IESO is proposing to solicit Technical Panel member feedback on the Market Power Mitigation Working Group composition and Terms of Reference at the Technical Panel meeting on October 15.</p>
8.	Lukas Deeg	MPM Working Group	<p>I remain concerned whether the existing recourse mechanisms will sufficiently address unintended, adverse outcomes that may arise from the application of market</p>	<p>The broad application of the dispute resolution regime is described in MR. Ch.0.3 s.2.2 and would include disputes with respect to the Market Power Mitigation Framework. Please refer to the response in ID. 5.</p>

ID	MP	Section	Feedback	IESO Response
			power mitigation. This concern is especially valid if it uniquely applies to an individual market participant. With this in mind, I do believe Chapter 3 S 2.2 and 2.5 needs to be amended to clarify that the dispute resolution also applies for matters related to the application of market power mitigation and for situations where the Market Power Mitigation Working Group identifies unintended outcomes associated with market power mitigation.	
9.	Lukas Deeg	<a href="#">MPM Presentation (2/2)</a>	Referencing Slide 53, what happens in a scenario where a supplier has a BESS project (or other generation) and engages in import and exports. The need for BESS to participate in DAM could conceivably make it seem the entity is taking conflicting positions with BESS benefitting from higher prices and intertie with lower prices. How would MPM work in this scenario?	<p>Assessment of Battery Energy Storage Systems (BESS) resources for economic withholding in ex-ante timeframe is independent from after-the-fact intertie economic withholding (IEW) of imports/exports. There is no interplay between these assessments.</p> <p>IEW will only assess intertie transactions when:</p> <ul style="list-style-type: none"> <li>• The congestion component of the energy Intertie Border Price (IBP) at that uncompetitive intertie zone is greater than \$25/MWh</li> <li>• Energy offer or Energy bid has a price greater than \$25/MWh</li> <li>• Operating reserve LMP at that uncompetitive intertie zone is greater than \$15/MW</li> <li>• Operating reserve offer greater than \$5/MWh</li> </ul>
10.	Lukas Deeg	<a href="#">MPM Presentation (2/2)</a>	<p>Regarding the following:</p> <p><i>A price impact test compares LMPs determined using the submitted dispatch data to LMPs determined using IRLs and is failed if the former are significantly higher than the latter [Slide 55 of the attached]</i></p> <p>What is considered significantly higher?</p>	<p>In this context, 'significantly higher' means (a) the price impact test for energy fails when:</p> <ul style="list-style-type: none"> <li>• simulated LMP using IRL is higher than simulated LMP using as-offered dispatch data by more than \$50/MWh, or</li> <li>• simulated LMP using IRL is higher than simulated LMP using as-offered dispatch data by more than 100% (i.e., more than 2x of as-offered LMP)</li> </ul>

ID	MP	Section	Feedback	IESO Response
				<p>And (b) the price impact test for operating reserve fails when:</p> <ul style="list-style-type: none"> <li>simulated LMP using IRL is higher than simulated LMP using as-offered dispatch data by more than \$25/MWh, or</li> <li>simulated LMP using IRL is higher than simulated LMP using as-offered dispatch data by more than 50% (i.e., more than 1.5x of as-offered LMP)</li> </ul>
11.	Lukas Deeg	<a href="#">MPM Presentation (2/2)</a>	Please confirm that Intertie Economic Withholding tests will only apply when there is an actual import energy offer (e.g., IESO will not assume a market participant's behaviour based on assessment of historical data)?	There is no physical withholding equivalent on interties. Intertie Economic Withholding will only be assessed when an import or an export is scheduled by the IESO on the uncompetitive intertie.
12.	Lukas Deeg	<a href="#">MPM Presentation (2/2)</a>	Could you clarify how intertie MPM applies to energy offers originating from capacity auction obligations? How are these accounting for or are there exceptions?	<p>Resources in external jurisdictions with Ontario capacity auction obligations are required to maintain energy offers for all applicable hours of the obligation period. These standby energy import offers are typically priced high enough that they are not scheduled economically in the market. In the event there are operating reserve or adequacy deficiencies, the IESO will issue a capacity call notice to the resource owner in order to use the resource-backed import to meet Ontario demand. This is typically done in the day-ahead timeframe, but can also be done in real-time. The resource owner is then responsible to update their import offers to ensure their resource is economically scheduled in the IESO market, typically by offering to import at a negative price.</p> <p>The IESO's view is that this participation behaviour does not constitute the exercise of market power. As such, the MPM intertie economic withholding (IEW) process will not assess capacity import transactions for economic withholding.</p> <p>For additional context, IEW is only assessed for import transactions and export transactions (with the exception noted in Ch.7 s.22.17.1.1) on intertie zones that</p>

ID	MP	Section	Feedback	IESO Response
				are designated as uncompetitive. The IESO does not expect New-York and Michigan inerties to be designated as uncompetitive.