



AUGUST 15, 2024

MRP: Monitoring and Addressing Potential Issues and Unintended Consequences Associated with the Market Power Mitigation Framework

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Purpose

The IESO has held multiple sessions with the Technical Panel to discuss energy suppliers' concerns with the new market power mitigation framework (MPM) being introduced through Market Renewal

IESO understands energy suppliers' concerns as follows: if significant issues occur with the new MPM framework it may be difficult to understand the root causes and/or IESO may not be prepared to address issues in a timely way

The IESO is proposing, for discussion, actions that can be taken to help identify potential unintended consequences of the MPM implementation, and to mitigate the risk of a material, unintended impact on suppliers

Proposed Actions to Address Stakeholder Concerns

In addition to Market Participants' ability to leverage the existing recourse options discussed in the previous meeting, the IESO is proposing to also take the following actions:

1. Delay designation of constrained areas
2. Enhance End-to-End testing
3. Apply IESO discretion to not issue ex-post mitigation assessments if warranted
4. Establish a Market Power Mitigation Working Group in advance of Market launch

1. Delay Designation of Constrained Areas

As communicated during the August 12 working session, the IESO is proposing to modify the implementation of Constrained Areas as follows:

- Delay implementing designations until six months after go live
- Provide a preliminary view of Potential Constrained Areas and Narrow Constrained Area designations based on the first 90 days of data after go live

This will allow Market Participants to obtain an advance view into the likely locations of constrained areas, while also providing them additional time to become familiar with the renewed market and adjust their offer strategies before testing for DCA/NCA conditions begins

2. Enhance End-to-End Testing

- The IESO has already planned for a robust “End-to-End” Testing phase over 10 weeks (mid-Jan to end-March) to allow Market Participants to confirm their ability to execute business processes and systems that MRP is changing
- Participants will be able to test the cycle of processes that start with the submission of bids and offers in the Day-Ahead Market all the way through the receipt of dispatch instructions in Real-Time and receipt of reports and settlement files based on their test market transactions
- Test cases will be provided in advance that include high-level instructions to execute specific activities for each scenario, and Market Participants will also be able to perform their own exploratory testing

2. Enhance End-to-End testing (continued)

The IESO is proposing to facilitate enhanced testing of MPM during this phase as follows:

- Utilize MRP Implementation Working Group to identify key MPM-related scenarios to simulate during End-to-End testing and outcomes of concern that the IESO should monitor for where possible
- Host kick-off calls prior to executing certain scenarios to allow for a coordinated approach across participants to improve realism of testing and drive desired outcomes; wrap-up calls reviewing test market outcomes could also be held

3. Pause Ex-post Mitigation Assessments

- If an excessive number of offers, either for an individual supplier or a related group of suppliers, are being flagged for ex-post mitigation the IESO has discretion to determine whether an assessment is warranted and not issue the request for information to the Market Participant
- This applies to ex-post mitigation of physical withholding (MR 22.15.1) and intertie economic withholding on an uncompetitive intertie zone (MR 22.17.1)
- The IESO will be ready to exercise such discretion to avoid unintended consequences until such time as a thorough review of the underlying issue can be conducted, and where necessary, updates to Market Manuals, Market Rules, and/or Reference Levels can be completed

3. Pause Ex-post Mitigation Assessments (continued)

Related Market Rule references from the provisionally approved MRP rules:

22.15 Ex-Post Mitigation of Physical Withholding

22.15.1 The *IESO* may apply the conduct tests and impact tests specified in this section 22.15, and as further specified in the applicable *market manual*, to assess *physical withholding of energy* and *operating reserve*.

22.17 Intertie Economic Withholding on an Uncompetitive Intertie Zone

22.17.1 The *IESO* may apply the conduct tests and impact tests specified in this section 22.17 in accordance with the applicable *market manual* to assess *intertie economic withholding*.

4. Establish MPM Working Group

- Establish a Market Power Mitigation Working Group in advance of go live to proactively prepare for addressing issues that might arise after MRP go live
- Mandate of the MPM WG would be to develop a framework for reviewing potential issues, including the development of prioritization criteria
- Post go live, the MRP WG would endure to advise on assessment and prioritization of issues, and solutions to material unintended outcomes from the MPM framework
- Regular reports could be provided to the Technical Panel to allow Panel members to monitor progress