

Memorandum



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To: The Markets Committee

Presenter: Michael Lyle, Executive Vice President, Legal Resources and Corporate Governance and
Chair, IESO Technical Panel

Date: March 9, 2026

Re: Market Rule Amendment: Adjustments to Real-Time Make-Whole Payments (MR-00490-R00)

Purpose of Item: Recommendation for Approval to the Board

Executive Summary:

The IESO is seeking approval from the IESO Board on proposed market rule amendments required to address unwarranted make-whole payments (MWPs) related to the interaction between payments for energy and operating reserve (OR). At the February 10, 2026, Technical Panel meeting, the Technical Panel voted unanimously in favour of recommending the amendment proposals to the IESO Board. Since that recommendation, an error in a formula contained in the amendments was discovered and corrected. The correction has been reviewed by Technical Panel members, who support the update and have re-affirmed their unanimous recommendation for the amendments.

Significant Issues, Risks and Opportunities:

Through the ongoing monitoring and review of the renewed market, unwarranted MWPs have been observed in very specific and limited circumstances. The observed outcomes affect the cost-effectiveness of operating the IESO-administered markets and cause unwarranted payments to be recovered from ratepayers.

Noting the complex, formula-driven structure of make whole payment (MWP) settlement calculations, the IESO focused on preparing numerous examples for stakeholders and the Technical Panel to illustrate the three scenarios where unwarranted MWPs arise.

Stakeholders generally supported the initiative and requested data, examples and clarifications, while a generator representative on the Technical Panel raised concerns where hydro-electric resources may, in a very limited number of instances, have MWPs reduced beyond what is unwarranted. The IESO committed to reviewing this following the implementation of this initiative after the 2026 spring freshet period.

Background:

As further described in the market rule amendment proposal form (MR-00490-R00: Adjustments to Real-Time Make-Whole Payments), the proposed changes address unwarranted make-whole payments for the following items:

1. Hydro-electric resources receiving Real-Time Make-Whole Payments (RT-MWPs) for operating reserve (OR) for schedules that are not physically attainable;
2. Suppliers receiving RT-MWPs for OR that exceed the physical ramping characteristics of their resource; and
3. RT-MWPs that are not correctly netting across products, resulting in suppliers being paid for the same megawatts twice.

Proposal and Analysis

The IESO held two public sessions, along with some additional one-on-one meetings with specific market participants to ensure requested examples presented at the stakeholder engagement sessions met their expectations. Three sets of written comments were received following the stakeholder engagement sessions, one from Brookfield Renewables and two from Ontario Power Generation (OPG), requesting data, detailed examples and clarification on scenarios. In addition, two sets of written comments were received from a Technical Panel generator representative and from OPG in response to the Technical Panel's call for stakeholder comments.

The comments provided support for items 2 and 3, and focused on questions related to item 1 – hydro-electric resources and forbidden regions. In both submissions, concern was expressed that for hydro-electric resources with forbidden regions, there is a potential that the IESO might be reducing MWPs beyond what is unwarranted. The IESO’s analysis showed that this concern represented an edge case and only occurred in a very small number of instances. Based on this analysis, the generator representative requested an update to the Technical Panel post implementation, and the IESO has committed to reviewing this following the 2026 spring freshet period.

Next Steps / Implementation:

I recommend that the Board accept the unanimous vote and recommendation of the Technical Panel to approve market rule amendment MR-00490-R00: Adjustments to Real-Time Make-Whole Payments.

Requested Committee Resolution:

The Markets Committee is asked to pass the following motion:

BE IT RESOLVED THAT the Markets Committee recommends that the Board of Directors approve the following resolution:

[Recommended Board Resolution Begins.]

CONCERNING MR-00490-R00: Adjustments to Real-Time Make-Whole Payments, which is a market rule amendment recommended by the IESO that will address unwarranted make-whole payments related to the interaction between payments for energy and operating reserve:

- a) **WHEREAS** the IESO engaged with the Technical Panel and the broader stakeholder community and has revised MR-00490-R00 based on feedback received.
- b) **AND WHEREAS** the Technical Panel voted unanimously to recommend MR-00490-R00 for approval by the IESO Board.
- c) **AND WHEREAS** the IESO Board of Directors’ Markets Committee recommended MR-00490-R00 for approval by the IESO Board.

BE IT RESOLVED THAT on the recommendation of the Markets Committee, the IESO Board of Directors accepts the recommendation from the Technical Panel and approves MR-00490-R00: Adjustments to Real-Time Make-Whole Payments to come into effect on April 1, 2026.

Michael Lyle

Appendices:

- a. Market Rule Amendment Proposal – MR-00490-R00: Adjustments to Real-Time Make-Whole Payments
- b. Technical Panel Materials
 - i. Memo to Technical Panel from IESO staff, dated February 3, 2026
 - ii. TP member Rationale, dated February 10, 2026
- c. Summary of Stakeholder and Technical Panel Comments
- d. Consumer Impact Assessment