

Backgrounder: Must-Offer Condition Agreements between the IESO and Ontario Power Generation (OPG) and Portlands Energy Centre LP (Atura)

The OEB posted the [Must-Offer Condition Agreements](#) that were required as a part of the [license conditions](#) in respect of OPG's recent purchase of assets from TC Energy.

What is a "Must-Offer Condition Agreement"?

The agreements have a number of components that speak to how OPG and Atura must participate in Ontario's electricity markets and the additional IESO monitoring that will be implemented to review their actions in the market.

What are the additional conditions placed on OPG's participation in the electricity market?

The agreements require OPG and Atura to offer all of their available generation capacity into the IESO- administered Day-Ahead Commitment Process, the predispach, and real-time energy and operating reserve markets.

The must-offer condition helps deter the exercise of market power through the withholding of generation capacity. Such withholding, if it were to occur, has the potential to lead to higher market costs, inefficient dispatch and other uncompetitive outcomes.

Why is participating in day-ahead processes important? Isn't the IESO in the midst of renewing the electricity market?

The IESO makes efforts, along with others in the sector, to promote and preserve competition. When market participants bid and offer day-ahead, the IESO is provided with more operational certainty further in advance of real-time, enabling improved planning and risk management and market participants are provided with more financial certainty. For example, suppliers are better able to manage arrangements for real-time fuel supply and consumers are able to consume at planned levels with the confidence that these measures reduce the likelihood of unexpectedly high real-time costs. In the future Day-Ahead Market, financially binding prices and schedules will also encourage participation from importers and exporters, providing a more accurate picture of the expected real-time conditions.

Electricity markets across North America, and around the world, have various forms of day-ahead processes. In Ontario, the Day-Ahead Commitment Process has been in place a for a number of years, and with the enhancements being planned through the IESO's [Market Renewal Program](#), the province will be upgrading to a full Day-Ahead Market.

What are the new market monitoring provisions that are in place under this agreement?

The IESO brings together the buyers and sellers of electricity through markets to schedule the supply of energy and operating reserve and to set the prices for these products. Within the design of the

market, there are enforcement options to address undesired outcomes. The Must Offer Condition Agreements are examples of one of these tools. Where OPG or Atura fails to meet the must offer conditions, and their failure to do so provides a benefit to OPG or Atura, the agreement includes a process by which the IESO can recover any benefit obtained, and serves to protect other participants in the market.

In Ontario, there are a number of competitors in the electricity market, but OPG is by far the largest single participant. The provisions in this agreement, and in the future Market Power Mitigation framework (currently under development), will provide safeguards to encourage competition and deter the exercise of market power.

