



Power to Ontario. On Demand.

IESO SENIOR MANAGEMENT UPDATE

To: Stakeholder Advisory Committee

Date: October 26, 2010

Subject: **IESO Responses to Market Surveillance Panel (MSP)
Recommendations – August 2010**

Information Item

Below are the IESO's responses to the six recommendations from the MSP Monitoring Report on the IESO-Administered Electricity Markets for the period from November 2009 – April 2010.

Recommendation 3-1 (Chapter 3, section 3.1):

The IESO should immediately eliminate self-induced CMSC paid to dispatchable loads resulting from either a voluntary change in consumption or a consumption deviation.

IESO Response: An urgent market rule amendment to temporarily suspend energy-related CMSC for constrained-off dispatchable loads went into effect on August 28th, 2010. In consultation with the dispatchable load community, the IESO is exploring alternative solutions to expedite the development of market rule amendments to replace the temporary suspension - refer to stakeholder engagement initiative [SE-89](#).

Recommendation 3-2 (Chapter 3, section 3.1):

The IESO should expedite the implementation of the Panel's previous recommendation that, for the purposes of calculating Congestion Management Settlement Credits (CMSC) payments, the IESO should revise its constrained on payment calculation using a replacement bid (such as \$0/MWh) when a dispatchable load bids at a negative price.

IESO Response: The Technical Panel endorsed a market rule amendment proposal (MR-00370) to limit CMSC payments for exporters and dispatchable loads using replacement bids, as recommended in the January 2010 MSP Monitoring Report. This amendment will be proposed to the IESO Board for approval at their meeting on November 11, 2010. The recommended effective date is December 8, 2010.

Recommendation 3-3 (Chapter 3, section 3.1):

The IESO should explore the feasibility of tightening its compliance deadband definition for dispatchable loads by linking the deadband more closely to the facility's dispatchable capability and/or ramp rate.

IESO Response: The IESO agrees that the deadband should be reviewed for a number of reasons, including the impacts of the GEA and the changing composition of market participants. This is already contemplated. However, the issue identified by the MSP will accelerate the review of the sufficiency of the Interpretation Bulletin which sets out the deadband.

Recommendation 3-4 (Chapter 3, section 3.2):

To the extent that the IESO believes a reliability program such as the generation cost guarantee program continues to be warranted, the IESO should base the guarantee payment on the offer submitted by the generator or should implement another solution that would require actual generation costs to be taken into account at the time of scheduling decisions.

IESO Response: In response to a recommendation from the January 2009 MSP report, the IESO initiated a market rule amendment to revise the method of calculating guarantees to improve the effectiveness of day-ahead scheduling decisions. These changes, implemented in December 2009 under MR-00356, linked the guarantee payment to the market participant's offer price and introduced more stringent eligibility requirements for the real-time GCG program. As a result of the changes implemented under MR-00356, approximately 40% of generators costs are reflected in their offers. This is a significant improvement compared to the initial design where none of the costs were reflected in offers. The IESO continues to believe a reliability program is warranted and some changes to the day-ahead guarantee program are part of the Enhanced Day-Ahead Commitment initiative. The IESO's immediate priorities related to the GEA, specifically the integration of renewable energy into the electricity system and market, take precedence over this MSP recommendation.



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Recommendations 3-5, 3-6 (Chapter 3, section 3.3):

The IESO should limit the number of transmission rights auctioned to a level where the congestion rent collected is approximately sufficient to cover the payouts to transmission rights holders.

The IESO should reassess the design of the Ontario Transmission Rights market to determine whether it can play a more effective role in supporting efficient trade with neighbouring jurisdictions.

IESO Response: The IESO agrees with these recommendations. Efforts to address them have been put on hold to enable the IESO to address other priorities such as EDAC and changes required to implement the Green Energy and Green Economy Act.