Message

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**Sent**: 2017-09-07 9:42:20 AM
**To**: Martin Hastings [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=2cb591deae6f47cf9a30e8b1f8ec6437-Martin Hast]
**CC**: Barbara Ellard [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=a4c4f4cb0cd24719b963ab5afa0da984-Barbara Ell]; Tom Chapman [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=571d0b1e27e44f658ca5e386c48caa4c-Tom Chapman]; Market Rules Group [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=de78c41ae907419492cf8483aae4334c-Market Rule]; Jessica Savage [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=42171042a4154102bf27418f958141e3-Jessica Sav]; Candice Trickey [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=6671a6a817ca47189f4d47cb29f76407-Candice Tri]; Jessica Tang [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=c1212df9ab6b4295a88701cfc30b3a13-Jessica Tan]; Jeannette Briggs [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=148095610f7242f48a5a9da24b1a8a87-Jeannette B]; Hok Ng [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=9970f33275c84b028d7fcd0310d4c6d4-Hok Ng]; Jason Kwok [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=c806b7681f7d434a8311117d669b5bdb-Jason Kwok]; Devon Huber [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=97a764dcee764e76ad0025d0e32e2ba8-Devon Huber]
**Subject**: RE: Draft MSP 29 (May 1-Oct 31, 2016) - IESO comments solicited by September 6, 2017
**Attachments**: IESO Comments on Draft MSP Report 29 v1.1.docx; Chapter 1 Consolidated.docx; Chapter 2 Consolidated.docx; Chapter 3 Consolidated.docx; Chapter 4 Consolidated.docx

Martin,

Please find attached the draft memo which summarizes our comments on draft MSP Report 29. Additional comments are also embedded in the individual chapters for consideration.

We thank the MSP and MAU for the opportunity to provide comments on the draft report, and we look forward to meeting with the MAU on September 11th to discuss.

**Jo Chung** | Supervisor – Market Rules | Markets|
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**From:** Martin Hastings
**Sent:** August 14, 2017 4:03 PM
**To:** Barbara Ellard; Darren Matsugu; Tom Chapman; Jessica Savage
**Cc:** Nicholas Ingman; David Short; Glenn McDonald; Darren Finkbeiner; Devon Huber
**Subject:** Draft MSP 29 (May 1-Oct 31, 2016) - IESO comments solicited by September 6, 2017

Folks,

Please find attached for your review the draft chapters of MSP 29, which covers the period May 1, 2016 to October 31, 2016. ***Can you please provide your consolidated, written comments, if any, by Wednesday September 6th***. As usual the Panel asks that the IESO's review focus on issues related to factual accuracy as opposed to stylistic edits or IESO preferences related to messaging.

Below I provide a brief summary of the content of the report:

**Chapter 1:** this chapter provides updates on recent developments, including Market Renewal, the Fair Hydro Plan, expansion of the Industrial Conservation Initiative, the cancellation of LRP2 and FIT6 and the IESO's Flexibility stakeholder engagement. It also provides the Panel's assessment of the IESO's response to the Panel's recommendations from MSP 28.
There are no recommendations in Chapter 1.

**Chapter 2:** this chapter contains a number of charts that present data for the period May 1, 2016 to October 31, 2016. The data's meaning is also explained in writing. There are no recommendations in Chapter 2.

**Chapter 3:** this chapter describes anomalous market outcomes, which are predefined thresholds established by the Panel (i.e. HOEP > $200 or HOEP ≤ $0, or daily CMSC ≥ $1,000,000, etc.). The Panel also reviews two areas in greater detail: (i) the payment of safety, equipment and applicable law (SEAL) CMSC to dispatchable loads, and (ii) non-competitive bidding into the DACP by gas generators. With regards to the former, the Panel recommends that the IESO extend the SEAL CMSC clawback rules so that they cover dispatchable loads (the rules currently apply only to generators). With regards to the latter there is no recommendation since the Panel regards the design changes to be brought about by Market Renewal as the most effective vehicle to address the Panel's concerns.

**Chapter 4:** this chapter takes a closer look at particular issues of interest to the Panel that are not necessarily tethered to observations during the May 1, 2016 to October 31, 2016 reporting period. The Panel identifies two issues, both of which lead to recommendations. The first issue the Panel addresses is constrained on exports. The Panel observes that when exports are constrained on that they can be paid as much as $125/MWh on a net basis. This is due to the IESO's use of a -$125/MWh "replacement price" for CMSC calculation purposes. The Panel disputes the IESO's assessment that a -$125/MWh replacement price safeguards against the loss of potentially efficient transactions. The Panel recommends a $0 replacement price, which would also mirror the IESO's replacement price for constrained-off generators and importers. The second issue that the Panel identifies is the IESO's minimum threshold for initiating operating reserve (OR) payment clawbacks where a market participant has failed to provide OR when activated. In 2016 the IESO set the threshold at infinity, meaning that a market participant could completely ignore its OR activation without facing any financial repercussions under the effected market rule. The Panel recommends that the IESO reverse this decision and that it set the threshold at a level that encourages market participants to provide OR when activated.

yours truly,

**Martin Hastings** | Supervisor, Market Assessment Unit
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