

Market Renewal Working Group

March 10, 2017

Introduction

- In today's session we will:
 1. Identify principles for Market Renewal
 2. Review the revised Terms of Reference
 3. Discuss roles and responsibilities for the Co-Chair
 4. Consider how to best transition to design work
- Topics 2 and 3 will be supplemented by the revised Terms of Reference that have been provided

PRINCIPLES

Principles

- At the January 20 MRWG, the group drafted a revised objective for Market Renewal

“Market Renewal will deliver a more efficient, stable marketplace with competitive and transparent mechanisms that meets system and participant needs at lowest cost”

- Today we would like to continue that conversation to identify the list of principles that we will apply to meet our objective
- The following slides outline our proposed principles as well as potential additions identified at the last meeting
- Once again, for reference, the agenda includes principles used in the past by stakeholders and the IESO

Proposed Market Renewal Principles

Efficiency: reduce out of market payments and focus on delivering efficient outcomes through competition and transparent price signals

Competition: provide new competitive opportunities for participants to help meet evolving system needs

Certainty: address underlying design issues and establish clear, efficient price signals through stable, enduring market-based mechanisms

Transparency: work together with our stakeholders to continue to evolve the market in a practical manner

Working Group Feedback

- The list should not be too long, it should be focused
- Reliability should be added as a principle
- Principles should reflect fairness and that Market Renewal is open to all resources – both new and existing

Based on your feedback we are proposing two new principles, drawing on past lists

Reliability: maintain the reliability of the Ontario electricity system in a cost-effective manner

Fairness: create equal opportunity for all technologies and resource types to contribute to meeting system needs

Principles Discussion

Have we identified the right set of principles to deliver on the objective for Market Renewal?

Are they measurable?

Will they help design discussions?



TERMS OF REFERENCE

Revised Terms of Reference

- Builds on previous discussions about enduring structure of MRWG
 - Outlines roles and responsibilities
 - Relationship to other forums
 - Composition and qualifications
 - Co-Chair function and duties
 - Governance and Administration

Role of MRWG

“A representative stakeholder forum to *guide, advise and inform* the IESO on important issues that will impact the overall success of market renewal initiative.”

Stakeholder Framework



Responsibilities



Substantial Agreement

“The Market Renewal Working Group will operate in a collaborative and constructive manner and will work to achieve ‘*substantial agreement*’ on issues based on the principles and goals of market renewal on how best to move forward.”

Co-Chair

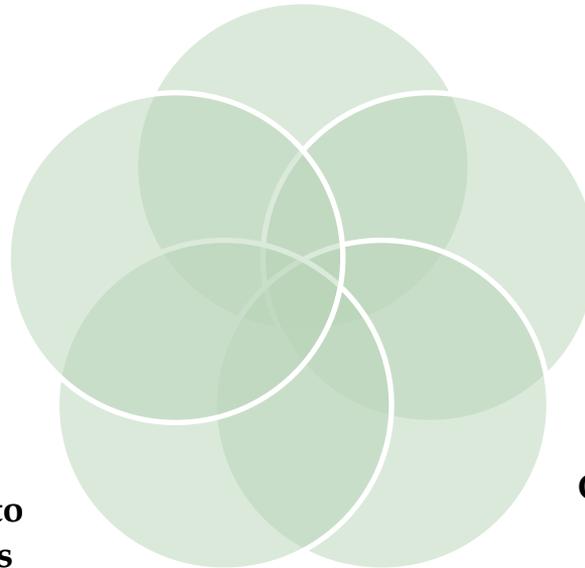
- Independent stakeholder representative
- Nominated by MRWG
 - Vote taken if more than one nominee
- Should represent all stakeholders rather than a particular community

Co-Chair: Duties

**Independent
leadership role**

**Liaison between
MRWG and other
stakeholder forums**

**Work with IESO to
meet deliverables
and milestones**



**Supports effective
governance,
administration and
facilitation of
meetings**

**Guide, support and
advance
collaborative
discussion**

Feedback

- Is Terms of Reference comprehensive?
- Does it reflect discussions and expectations of WG members?
- Are the proposed responsibilities for the Co-Chair reflective of stakeholder expectations?
- Feedback on Draft Terms of Reference to engagement@ieso.ca

TRANSITION TO DESIGN PHASE

Context

- The findings in the draft benefits case provide compelling rationale to move to the next phase of Market Renewal
- Beginning in Q2, the IESO will work with stakeholders to develop high-level designs for the project including the following elements:

Energy	Capacity	Operability
<ul style="list-style-type: none">• Single Schedule Market• Day-Ahead Market• Enhanced Real-time Unit Commitment	<ul style="list-style-type: none">• Capacity Auction• Enabling Capacity Trade	<ul style="list-style-type: none">• More Frequent Intertie Scheduling• Others TBD

- This is an ambitious set of changes and we need an effective plan to work with stakeholders towards a market design that meets Ontario's needs

Transition to Design Phase

- We are seeking MRWG feedback to help define the appropriate steps to make a successful transition from the benefits case to the design phase
- Transition activities will include the development of a stakeholder engagement plan and could include further stakeholder education



Planning the Design Phase

- We intend to work with the MRWG to establish (i) target timelines for developing high-level designs and (ii) a plan for stakeholder meetings to the end of the year
- This will be a focus at the next MRWG meeting and will then be brought back to the broader SE
- As input into the plan we are seeking your early comments on a number of items :
 - We would like to establish placeholder dates for monthly MRWG and bi-weekly SE meetings beginning in April; does this approach make sense?
 - There is a need to continue to address strategic issues like governance, the interaction of policy and markets, and contract considerations; is the MRWG the right venue or do we need sub-groups for some or all of these topics?
 - To manage costs, we are looking for potential locations for SE meetings, what should we consider from a stakeholder perspective?
 - What other considerations should be taken into account?

Education

- The IESO hosted 5 educational workshops to prepare stakeholders for high-level design discussions
- These sessions were recorded and are available on the IESO website <http://www.ieso.ca/sector-participants/engagement-initiatives/overview/public-information-sessions>
- Our proposed approach is for high-level design work to begin where these sessions left off
 - Continued education will be a key component of the design phase; engagements will be structured to build on past educational efforts
- Given this approach, **are there opportunities or is there a need to provide further education in advance of the design phase?**

Next Steps

MRWG

Min. 2 meetings

Develop engagement plan, finalize TOR, onboard new WG members, selection process for permanent co-chair

SE

2 meetings

Close out benefits case, outline engagement details, continued education as required

- *This list is subject to MRWG feedback; our goal is to address these items prior to beginning high-level design in Q2*

APPENDIX

Background: Independent Market Operator Board (2001)

Principles

Efficiency: changes should provide an increase in benefits to society and market participants, relative to the costs

Fairness: changes should provide equal treatment of all market participants and should provide equality of access to the market and the IMO's services

Reliability: changes must not negatively impact the reliability of the Ontario electricity system

Transparency: changes must be public and easy to understand

Robustness: changes must add to the stability & coherence of the basic market design

Enforceability: changes must be enforceable

Practicality: changes should develop based on the needs of real world participants rather than a theoretical blue-print

Abridged from: https://www.hks.harvard.edu/hepg/Standard_Mkt_dsgn/IMO_setting.mkt.Design.Priorities_12-20-01.pdf

Background: Market Pricing Working Group (2004)

Principles

Efficiency: The market should induce both short-term (productive/allocative) efficiency as well as long term (dynamic/investment) efficiency.

Fairness: The market should provide for open non-discriminatory. There should be no artificial barriers to entry or exit.

Reliability: The market should promote high standards of reliability and quality of electrical service and of access to electricity.

Transparency: The market should be as simple and transparent as feasible and should promote timely, non-discriminatory release of non-confidential market and system information to all market participants.

Abridged from: http://www.ieso.ca/imoweb/pubs/consult/mep/MP_WG_2004jun11_GuidingPrinciples.pdf

Background: IESO Market Development Planning Objective and Principles (2014)

Objective

Improve the ability of the electricity market to deliver reliable electricity at the lowest cost, encourage innovation and enable informed decisions by all participants

Principles

- Facilitate transparent and efficient price signals
- Create equal opportunity for all technologies and resource types to contribute to meeting system needs
- Use competitive market-based solutions for meeting system needs
- Provide appropriate incentives and minimize barriers for efficient participation in the market for both existing and future participant types and technologies

Source: <http://www.ieso.ca/Documents/consult/sac/sac-20140326-Market-Development-Planning-Project.pdf>