

Market Renewal Working Group

May 17, 2017

Introduction

- Today's session is focused on capturing working group perspectives, there will be minimal presentation from the IESO
- Together we will work through the following three sessions:
 1. Hopes and Dreams, Fears and Nightmares: a facilitated discussion to explore what Market Renewal means to working group members
 2. Strategic Issues: an initial discussion to identify and define the key strategic issues related to Market Renewal and explore how we will work together to resolve them
 3. Goals and Objectives : an initial discussion on goals and objectives for the Incremental Capacity Auction and Single Schedule Market; what do we expect to achieve and what are the steps needed to get there?
- Do working group members have any items to discuss/perspectives to share before we begin?

Session 1 *(2.5 hours)*

Hopes and Dreams, Fears and Nightmares

Purpose

- To hear your views on the outcomes Market Renewal should achieve and must avoid
- The information will be used to develop goals and objectives for each initiative within Market Renewal
- This is part of a process to develop a transparent and shared view of what Market Renewal will deliver to the sector

Approach

- This discussion should build on the objective and principles we have established for Market Renewal, outlining what they mean to your organization
- 1 hour in break out groups recording your key hopes and fears
- 1.5 hours to present and discuss the breakout groups' work and ensure we have accurately captured the main themes of the conversation

Background: MR Objective and Principles

Objective/Mission

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

Principles

Efficiency: lower out of market payments and focus on delivering efficient outcomes to reduce system costs

Competition: provide open, fair, non-discriminatory competitive opportunities for participants to help meet evolving system needs

Certainty: establish stable, enduring market-based mechanisms that send clear, efficient price signals

Transparency: accurate, timely and relevant information is available and accessible to market participants to enable their effective participation in the market

Implementability: work together with our stakeholders to evolve the market in a feasible and practical manner

Questions for Breakout Groups

- **Hopes and Dreams:** Looking 5-10 years out, what would a successful Market Renewal Program look like for you and your organization?
- **Fears and Nightmares:** What outcomes would cause you to consider Market Renewal to be a failure?
- What outcomes is it most important that we avoid/achieve?
- Why are these the items that are most important to you?
- Which Market Renewal initiatives do your key hopes and fears relate to most closely?

Group Work

- For each hope or fear identified by your group fill out a worksheet
- Select Hope or Fear, describe the outcome you have identified, and provide specific examples or details to help the IESO understand your perspective
- Identify the most important hopes or fears for your group (try to select only 3-5 as high priority)
- Link your hopes and fears to the project they relate to most closely

Sample Worksheet

Group # 1	Item # 1	Hope or Fear
Description of Outcome: <i>The Incremental Capacity Auction results in a truly technology neutral procurement mechanism that allows all resources to compete to meet needs</i>		
Specific Examples (if relevant): <i>Storage, imports, and other relatively new types of capacity are able to participate in the auction</i>		
MR Projects Impacted <i>Incremental Capacity Auction</i>	Priority (choose high for the most important 3-5 outcomes identified): <i>High</i>	

Session 2 *(1.5 hours)*

Strategic Issues

Purpose

- Today we will identify and begin to define the strategic issues that must be addressed in order for Market Renewal to succeed
- This will be an iterative discussion but at the end of the process our intention is to establish an agreed upon set of issues and a clear plan for addressing them

Approach

- As a starting point for discussion, IESO has drafted an initial list of strategic issues
- We will begin by refining or expanding the list based on WG feedback
- Using a worksheet we will ask each WG member to identify (1) which market renewal initiatives are impacted by each of the issues and (2) which issues are most important to them
- This will be followed by a discussion of the items above and WG members' initial thoughts on the problems that need to be solved for each issue

Background: Strategic Issues



- Are there additional strategic issues that need to be addressed?

Individual Work

<i>Strategic Issues</i>	Single Schedule Market	Day-Ahead Market	Enhanced Real-Time Unit Commitment	More Frequent Intertie Scheduling	Incremental Capacity Auction	Priority
Governance						
Planning						
DR						
Storage						
Conservation / Energy Efficiency						
Environment						
Contracts						
Gas-Electric						
DER/LDC Integration						
Flexibility / Operability						

- Take 20-30 minutes to fill out the Strategic Issues worksheet

For Discussion

For each strategic issue:

- Which initiative(s) does the issue relate to most closely?
- Comments on the core issue(s) that must be addressed?
- What process would be effective in addressing the issue?
 - What information or research might be required?
 - What forum is best suited to address the issue (e.g., MRWG, sub-committee)?
- What timing considerations should be taken into account?

Session 3 *(1.5 hours)*

ICA and SSM Goal and Objectives

Purpose

- To begin a discussion on objective setting for the Incremental Capacity Auction and Single Schedule Market
- This is an iterative discussion both within the IESO and with the MRWG
- During the fundamentals stage of the SEs we will work to establish agreed upon goals and objectives for the initiatives, defining what we expect to achieve and the steps required to get there

Approach

- As a starting point for discussion, the IESO has drafted initial sets of goals and objectives for the Incremental Capacity Auction and Single Schedule Market
- We will take 45 minutes for each SE; we will begin with a discussion of the goal and continue on to the objectives if time permits; we expect this process will take multiple meetings

Mission, Principles, Goals and Objectives

Program Level

Applies to all projects/SEs

Mission

A high level statement setting out the purpose of Market Renewal and what we will work together to achieve

Principles

The outcomes that are required to achieve our mission; our principles will shape decision making for each project in Market Renewal

Project Level

Unique to each SE

Goal

A clear definition of what the project will achieve; each SE under market renewal will have its own goal designed to help deliver on our mission

Objectives

Measurable results that must be realized in order to meet our goals; each SE will have its own objectives aimed at delivering on its unique goal

ICA - Goal

Draft Goal

The Incremental Capacity Auction (ICA) Project will develop an enduring market-based capacity procurement mechanism that will ensure Ontario's resource adequacy needs are met cost effectively

Questions for the group:

- Does the draft goal appropriately capture what the ICA should seek to achieve?
- Will it enable us to deliver on our mission?
- Does it align with our principles?
- Does it appropriately reflect our discussion from session 1?
 - If we achieve this goal will we meet your hopes and avoid your fears for Market Renewal?

ICA - Objectives

Draft Objectives

- Establish a transparent market price for the value of capacity
- Secure capacity in a manner that aligns with system needs
- Enable diverse resource types to compete to meet system needs
- Maintain resource adequacy at the lowest cost in the long run

Questions for the group:

- Do the draft objectives identify the outcomes required to meet our goal?
- Are there additional objectives that should be considered?
- Do the objectives appropriately reflect WG members hopes and fears for Market Renewal?
- Will we be able to measure success against these outcomes?

SSM - Goal

Draft Goal

The Single Schedule Market Project will deliver a market with efficient prices consistent with dispatch instructions that consider system and resource operating constraints

Questions for the group:

- Does the draft goal appropriately capture what the SSM should seek to achieve?
- Will it enable us to deliver on our mission?
- Does it align with our principles?
- Does it appropriately reflect our discussion from session 1?
 - If we achieve this goal will we meet your hopes and avoid your fears for Market Renewal?

SSM - Objectives

Draft Objectives

- Produce prices based on location and physical ability to deliver energy and reserves
- Establish an effective process to identify and mitigate the exercise of market power
- Reduce out-of-market payments and associated complexity of settlement
- Establish a mechanism for load pricing and managing congestion risk, if required
- Allow for compatibility with potential future market enhancements and new participants
- Maintain existing dispatch optimization and physical scheduling of resources

Questions for the group:

- Do the draft objectives identify the outcomes required to meet our goal?
- Are there additional objectives that should be considered?
- Do the objectives appropriately reflect WG members hopes and fears for MR?
- Will we be able to measure success against these outcomes?

Next Steps

- At the next MRWG meeting we will continue to work towards:
 - Developing goals and objectives for the ICA and SSM
 - Defining problem statements for strategic issues and developing plans to address them
- We also expect to announce the consultant who will provide strategic support services to the IESO and MRWG
 - We will work with the group to begin to establish required tasks for the consultants
- Where possible, we will seek to begin to work with the group on specific strategic issues