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**Subject:** Questions on Market Power Framework Discussion Paper and Presentation Given at the Feb. 15 Workshop

Further to February 15 Workshop and having now a somewhat better understanding of the presentation documents, here is questions that HQEM would like the MSP to address in order to assist its reflection on the framework and formulating answers to MSP's questions and further elaborate formal comments.

1) How does IESO believe that scarcity prices can be properly reflected in its markets if it predicates much of the concern about market power on inelastic demand? In other words, if demand is inelastic, and demand exceeds supply, how are price responsive load bids able to display scarcity prices? In the absence of such load bids setting price, particularly on a locational basis, how else is scarcity manifest in prices?

2) Absent a full / complete representation of scarcity, isn't true by definition that generators/suppliers will always be under compensated unless there is some sort of market based call or capacity payment?

3) How does the proposed market screening for market power reflect legitimate efforts for suppliers to recover this under compensation? In other words, doesn't pricing have to violate your two screening conditions for these monies to ever be collected? (Slide 5)

4) Does the IESO anticipate that all external supply will be voluntary?

5) Does the IESO anticipate adding specific scarcity pricing provisions to complement the existing market design?

6) Does the IESO anticipate adding a formal capacity market as another alternative for making up missing scarcity premiums?

7) Is it ever possible for an external supplier to be deemed necessary for reliability in terms of a potential sale? If so, how can this be reconciled with voluntary imports and no payments for calls or capacity?

8) On slides 11 and 13, it is stating that physical withholding is not applicable to imports. This makes sense in that such supplies are voluntary. Logically, if this is the case, why would there ever be an issue with economic withholding or bidding at higher than marginal or average incremental costs for the same supply? Isn't true that if such voluntary supplies are accepted at any price, the anticipated HOEP must be lower than it would have been otherwise absent the import supply?

9) Why would you expect the ROI for importers to be constant? In particular, how would you explain this assumption for an importer with hydro resources, system-wide water constraints and storage, and internal and external transmission constraints?

Finally, we urge the MSP to post written answers to participants' questions (so far from MH, OPG and HQEM) as it will create a record for further constructive discussions and exchanges and will also specifically assist any participant in filings comments.

Best regards,

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