

May 5, 2015

Ms. Rosemarie T. Leclair  
Chair & CEO  
Ontario Energy Board  
P.O. Box 2319  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON M4P 1E4

Dear Ms. Leclair:

Re: Market Surveillance Panel Monitoring Report

I am writing in response to your letter of April 13, 2015, requesting that I advise you of: a) the steps that the IESO plans to take in response to the recommendation made in the Market Surveillance Panel (MSP) *Monitoring Report on the IESO Administered Electricity Markets* for the period from November 2013 to April 2014, and the timelines for completion of those steps; and b) whether, in the IESO's view, any actions or market rule amendments, in addition to those reflected in the MSP recommendations, should be taken or initiated.

The most recent report included one recommendation relating to the elimination of Congestion Management Settlement Credit payments for all intertie transactions.

Elimination of Constrained-off Congestion Management Settlement Credit Payments for All Intertie Transactions

*Recommendation 3-1, MSP Monitoring Report for November 2013 – April 2014:*

*The Panel recommends that the IESO eliminate constrained-off Congestion Management Settlement Credit (CMSC) payments for all intertie transactions, with due consideration to the interplay between the elimination of negative CMSC payments and Intertie Offer Guarantee payments.*

The IESO shares the MSP's concerns that the current two-schedule system facilitates "nodal price chasing behavior" and that this behavior is undesirable. In the recently concluded Energy Market Pricing System Review, the final report identified modest savings that could be realized if Ontario moved to a locational pricing system. While work on this is expected to start later this year, the IESO acknowledges that a stakeholder and implementation process will take time and hence a more immediate solution is required.

May 5, 2015

-2-

Therefore, the IESO has initiated a stakeholder engagement, [Addressing Constrained-Off Payments for Ontario Interties](#) in order to develop and implement a solution to address constrained-off CMSC payments at the interties. In this engagement, the IESO will review the Panel's findings from the April 2015 Monitoring Report, provide analysis and invite discussion from stakeholders as it completes its understanding of any impacts that arise as a result of eliminating these payments. The IESO invites the Panel to participate in this engagement. At the completion of this stakeholder initiative, the IESO expects to bring a market rule amendment to the Technical Panel.

Please do not hesitate to contact me should you have any additional questions on these matters.

Yours truly,

A handwritten signature in blue ink, appearing to read 'Bruce B. Campbell', with a long horizontal flourish extending to the right.

Bruce B. Campbell

c: Glenn Leslie, Chair, Market Surveillance Panel