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October 15, 2014

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

Dear Ms. Leclair:

Re: Market Surveillance Panel Monitoring Report

I am writing in response to your letter of September 17, 2014, requesting that I advise you of:
a) the steps that the IESO plans to take in response to the recommendations made in the Market Surveillance Panel (MSP) *Monitoring Report on the IESO Administered Electricity Markets* for the period from May 2013 – October 2013, 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 two recommendations, one relating to the IESO practice of de-rating control action operating reserve (CAOR) and the other relating to the allocation of uplift charges, to Ontario consumers and exports, associated with top-up payments under the real-time generation cost guarantee (RT-GCG) and day-ahead production cost guarantee programs (DA-PCG).

De-rating of Control Action Operating Reserve

Recommendation 3-1, MSP Monitoring Report for May 2013 – October 2013:

The Panel recommends that the IESO make more information available to market participants about its practices of de-rating Control Action Operating Reserve, including the criteria used to determine the amount and duration of such de-ratings.

The IESO agrees with the Panel's recommendation that more information should be made available to market participants with respect to CAOR de-ratings. The IESO is currently developing a proposal for communicating these de-ratings to the market. The proposal will be available for stakeholder input through the change management/baseline process. Changes will be incorporated into applicable IESO reports and market manuals by the end of 2014.

Uplift Charges to Ontario Consumers & Exports

Recommendation 3-2, MSP Monitoring Report for May 2013 – October 2013:

The Panel recommends that the IESO revise the way it allocates uplift charges associated with top-up payments under the real-time generation cost guarantee and day-ahead production cost guarantee programs so that the charges to Ontario consumers and exports better reflect the extent to which each group causes those payments to be incurred.

The IESO agrees that the current allocation of uplift charges associated with top-up payments under the RT-GCG and DA-PCG programs can result in cross subsidization between exports and Ontario consumers. The IESO intends to assess the net benefit to the Ontario market of allocating charges to exports in a way that would better reflect the extent to which exports cause those charges to be incurred. The assessment is expected to be completed by the end of Q2 2015.

The IESO previously agreed to assess the feasibility of recommendation 3-3 (b) from the Panel's January 2014 report, which recommends that the IESO "include a forecast of exports when commitments are made under EDAC." The IESO will conduct this assessment in coordination with the assessment for recommendation 3-2, as the outcome and/or potential implementation of recommendation 3-2 would impact the need to develop a forecast of exports for integration into the day-ahead commitment process. As such, a response to recommendation 3-3(b) from January 2014 will now be provided upon the completion of the IESO's assessment of recommendation 3-2 and its dynamic impact on exports.

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

Yours truly,



Bruce B. Campbell

c: Glenn Leslie, Chair, Market Surveillance Panel