

September 18, 2015

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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 Investigation Report

I am writing in response to your letter of August 20, 2015, requesting that I advise you of: a) the steps that the IESO plans to take in response to the recommendation made by the Market Surveillance Panel ("the Panel") in its *Report on an Investigation into Possible Gaming Behaviour Related to Congestion Management Settlement Credit Payments by Abitibi-Consolidated Company of Canada and Bowater Canadian Forest Products Inc.* 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 Panel's recommendations, should be taken or initiated.

The investigation report included a recommendation related to the remaining sources of Congestion Management Settlement Credits (CMSC) payments for dispatchable loads with a view of determining which, if any, are unwarranted and should therefore be eliminated.

Review of Continuing Congestion Management Settlement Credit Payments:

- a) *The IESO should review the CMSC payments being made to dispatchable loads since the November/December 2010 amendment to the Market Rules in order to determine whether there are significant amounts that continue to be unwarranted (i.e. paid as a result of market participant actions rather than to compensate for operating profit reductions arising from responding to dispatch instructions cause by Grid Conditions).*
- b) *If necessary, the IESO should make further amendments to the Market Rules to eliminate unwarranted CMSC payments to dispatchable loads.*

In 2010 the IESO addressed the major sources of unwarranted CMSC for dispatchable loads by amending the market rules to:

- Implement an enduring solution such that dispatchable loads are not entitled to constrained-off CMSC where the payments are caused by conditions and/or actions at the load facility, rather than conditions on the IESO controlled grid¹; and
- Limit CMSC payments to exporters and dispatchable loads resulting from negative bid prices².

The IESO believes that the market rules, with the inclusion of the above amendments, provide the IESO with the appropriate authority to address the unwarranted payments. However, the IESO agrees that the unwarranted CMSC payments for dispatchable loads identified by the Panel warrants further review, with specific regard to the application of the business rules associated with the payment and automated clawbacks of CMSC to dispatchable loads.

The IESO intends to complete its review by the end of 2015 and will inform the Panel of its findings, including any potential next steps.

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

¹ See MR-00374-R00: Replacing the Temporary Suspension of CMSC for Constrained Off Dispatchable Loads
<http://www.ieso.ca/Documents/Amend/mr2010/MR-00374-R00-BA.pdf>

² See MR-00380-R00&R01: Non-Transmission Related Constrained Off Payments
<http://www.ieso.ca/Documents/mr/MR-00380-R00-R01.pdf>