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November 4, 2016

BY E-MAIL AND WEB POSTING

Mr. Bruce Campbell
President and Chief Executive Officer
Independent Electricity System Operator
655 Bay Street, Suite 410
Toronto, ON M5G 2K4

Dear Mr. Campbell:

RE: Market Surveillance Panel Monitoring Report

The Market Surveillance Panel (MSP) has delivered to me its *Monitoring Report on the IESO-Administered Electricity Markets* for the period from May 2015 to October 2015 (the MSP Report). I attach a copy of the MSP Report for your reference.

The MSP Report contains three recommendations addressed to the Independent Electricity System Operator (IESO). One recommendation, made with a view to enhancing transparency and efficiency of the operating reserve market, encourages the IESO to review whether changes to Control Action Operating Reserve offer quantities and prices should be made.

The other two other recommendations call for revisions to the IESO's real-time generation cost guarantee (RT-GCG) program. The MSP believes that these revisions can achieve significant savings for Ontario consumers by addressing guarantee payments that, in the MSP's view, are not necessary to achieve the objective of incenting generators to come online in real-time to support reliability. Specifically, the MSP is recommending that the IESO:

- (i) eliminate from the RT-GCG program the guarantee associated with incremental operating and maintenance costs for start-up and ramp to minimum loading point; and

- (ii) expand the revenues that are used to offset guaranteed costs under the RT-GCG program to include net energy and operating reserve revenues earned, and congestion management settlement credit payments received on, certain of a generator's output.

The RT-GCG program is the subject of considerable discussion in the MSP Report. The MSP believes that implementation of its recommendations has the potential to reduce by an important margin the annual costs associated with that program until such time as the IESO's proposed longer-term solution is implemented.

I would appreciate if you would advise me in writing within 30 days of: (a) the steps that the IESO plans to take in response to the recommendations in the MSP Report and the timelines for completion of those steps; and (b) whether, in the IESO's view, any actions or market rule amendments should be taken or initiated in addition to those reflected in the MSP's recommendations.

Please do not hesitate to contact me should you have any questions or wish to discuss the above.

Yours truly,



Rosemarie Leclair
Chair & CEO
Ontario Energy Board

cc Glenn Leslie, Chair, Market Surveillance Panel

Att.