

April 29, 2019

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 March 29, 2019 requesting that I advise you of: a) the steps that the Independent Electricity System Operator (IESO) plans to take in response to the recommendations made in the Market Surveillance Panel (“MSP” or “Panel”) *Monitoring Report on the IESO-Administered Electricity Markets* for the period from November 2016 to April 2017, and the timelines for completion of those steps; and b) in the IESO’s view, whether any actions or market rule amendments should be taken or initiated in addition to those reflected in the MSP recommendations.

The most recent report included one two-part recommendation relating to the process used to disable and re-enable the variable generator forecasting tool.

Disabling the Variable Generator Forecasting Tool

Recommendation 3-1, MSP Monitoring Report for November 2016 – April 2017:

- A) *The IESO should formalize the process by which it determines when to disable and re-enable the variable forecasting tool, and should communicate that process to market participants to increase transparency.*
- B) *When a variable generator is on mandatory dispatch and the forecasting tool is disabled the IESO should set the generator’s unconstrained schedule at its forecasted output rather than its maximum offered capacity.*

Part A

The IESO agrees with the Panel’s recommendation that the process used by the IESO to disable and re-enable the variable generation forecasting tool as a control action to maintain reliability should be formalized and communicated to market participants.

The IESO will incorporate the process for enabling and disabling the variable forecasting tool into the applicable IESO market manuals by the end of 2019 and this will be communicated to market participants through the IESO Change and Baseline Management process.

Part B

The IESO agrees with the Panel's analysis that the current process of disabling the variable forecasting tool under certain conditions may lead to instances of lower real-time Ontario energy prices than market conditions should reflect. With respect to the Panel's recommended solution, the IESO understands and agrees with the Panel's intent and would like to clarify that the IESO does not actively "set" the unconstrained schedules of generators. Rather, the IESO establishes an upper bound limit to which a generator could be scheduled. This distinction is important because when variable generators are the marginal resource, only the economic megawatt amounts will be scheduled and this would not be the case if the MSP's recommendation is implemented verbatim. With that clarification, the IESO will endeavor to implement the intent of the Panel's recommendation.

In order to address the recommendation, the IESO will first undertake an assessment of solutions that best reflect a variable generator's capability during periods when the variable forecasting tool is disabled. The IESO will then report back to the Panel by the end of Q3 2019 on its findings and estimated timelines for implementing a solution.

Ontario Energy Board (OEB) Question

With respect to the OEB's question on whether any actions or market rule amendments should be taken or initiated in addition to those reflected in the MSP's recommendations, the IESO has not at this time identified any additional actions or market rule amendments that should be taken or initiated related to these recommendations.

Should you have any additional questions on these matters, please do not hesitate to contact me at 416-969-6007 or by email at peter.gregg@ieso.ca.

Yours truly,



Peter Gregg
President & CEO

cc: Glenn Leslie, Chair, Market Surveillance Panel