

January 13, 2020

Mr. Robert Dodds  
Vice-Chair  
Ontario Energy Board  
P.O. Box 2319  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON M4P 1E4

Independent Electricity System Operator  
1600-120 Adelaide Street West  
Toronto, ON M5H 1T1  
t 416.967.7474  
www.ieso.ca

Dear Mr. ~~Dodds~~ *Bob*:

**Re: Market Surveillance Panel Monitoring Report**

---

I am writing in response to your letter of December 13, 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 May 2017 to October 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 MSP’s report included three recommendations, each of which is addressed below.

Operating Reserve Imports

*Recommendation 2-1, MSP Monitoring Report for May 2017 – October 2017:*

*The IESO should consider ways and means of deterring the Operating Reserve nodal price chasing behaviour described in this report.*

The IESO agrees with the Panel that instances of overcompensating an Operating Reserve supplier will be resolved with the implementation of the Single Schedule Market through the elimination of Congestion Management Settlement Credit payments and the introduction of Locational Marginal Pricing. In the interim, the IESO intends to undertake an assessment of potential interim solutions that could address the issue, prior to the implementation of the Single Schedule Market. The IESO will share the results of its assessment with the Panel by the end of Q1 2020.

### Transmission Rights Payments during Outage

*Recommendation 2-2, MSP Monitoring Report for May 2017 – October 2017:*

*The IESO should ensure its procedure for determining an outage when administering Transmission Rights aligns with the Market Rules.*

The IESO accepts the Panel's recommendation. The IESO agrees with the Panel that Transmission Rights (TR) payouts should not be made on a TR path for which the transmission transfer capability has been reduced to zero. In response to the Panel's findings, the IESO will be making the required changes to IESO processes and systems. The IESO is developing a project plan to complete the required changes and will update the MSP on its progress by the end of January 2020.

### Demand Response Tool Error

*Recommendation 3-1, MSP Monitoring Report for May 2017 – October 2017:*

- A) *The Panel recommends that—when implementing changes to the market—the IESO audit the pre-deployment testing process to ensure that sufficient controls are in place to identify errors and unintended consequences.*
- B) *The Panel recommends that, as soon as possible after the IESO detects an error or unintended consequence that significantly impacts the wholesale electricity market, it publically discloses details of the error or unintended consequence, the impact on the market and the actions taken or to be taken to address the matter.*

#### **Part A**

The IESO agrees with the Panel that a review of the IESO's testing and deployment practices for implementing change would be of value. As part of the IESO's commitment to having robust change management processes when implementing changes to market systems the IESO uses a structured System Development Lifecycle (SDLC) process. The SDLC process includes a testing phase which occurs after a new system is built or when changes to an existing system are made, and before it is implemented. In 2017, the IESO introduced significant improvements to strengthen the IESO's testing practices. In particular, a Quality Assurance (QA) team was established to consistently ensure that quality is assessed, verified and validated throughout project delivery and SDLC processes. The QA team creates testing plans for projects. Depending on the project, the use of external auditors may be recommended. The IESO's Internal Audit business unit, which reports to the Board of Directors, is scheduled to undertake a review of the QA and deployment function in 2020.

#### **Part B**

The IESO accepts the Panel's recommendation that after detecting an error or unintended consequence that impacts the wholesale electricity market, the IESO should take appropriate

Mr. Robert Dodds  
January 13, 2020

Page 3 of 3

action to publically disclose the matter as soon as possible once the IESO has assessed the matter and understands what is needed to address it.

In response to the recommendation, the IESO will review its current practices to report publically on IESO significant or material errors. The objective of the review is to assure that there are policies, processes or guidelines (e.g., materiality guidelines) to publically report IESO significant errors. The IESO expects to complete this review by Q2 2020.

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](mailto:peter.gregg@ieso.ca).

Yours truly,

A handwritten signature in black ink, appearing to read 'Peter Gregg', written over a circular scribble.

Peter Gregg  
President & CEO

cc: Glenn Leslie, Chair, Market Surveillance Panel