

September 23, 2024

Ms. Susanna Zagar
Chief Executive Officer
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

RE: Market Surveillance Panel State of the Market Report 2023

Dear Ms. Zagar,

I am writing in reply to your letter of August 26, 2024, and the Market Surveillance Panel's ("MSP" or "Panel") Monitoring Report on the IESO-Administered Electricity Markets: *State of the Market Report 2023*.

The MSP's report included one recommendation to the IESO. The IESO's response to this recommendation is included below and sets out the following:

- a. The steps that the IESO plans to take in response to the recommendation made in *State of the Market Report 2023* 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 recommendation.

Recommendation 2024-1-1

The Panel recommends that the IESO review the benefits and costs of continuing the Intertie Offer Guarantee (IOG) in the real-time market after the deployment of the Market Renewal Program, once sufficient data is accumulated, but no later than one year after implementation. The review should consider imports arranged outside of the Day-Ahead Market and quantify the extent to which the IOG:

- *enhances the reliability or adequacy of the electricity system;*
- *contributes to inefficient import schedules; and*
- *dampens real-time market prices thus contributing to other potential real-time and scheduling inefficiencies.*

IESO Response

The IESO agrees with the Panel's recommendation of a review of the real-time IOG with respect to reliability and efficiency. Upon the launch of the Market Renewal Program, the IESO will continue to monitor and evaluate the real-time IOGs in this regard. A minimum of six months operating the new market will be required for a meaningful assessment before the IESO can report on any initial findings.

Regarding 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 recommendation, the IESO has not identified a need for either at this time.

Should you have any additional questions on these matters, please do not hesitate to contact me.

Yours truly,

A handwritten signature in cursive script, appearing to read "Lesley Gallinger", with a long horizontal flourish extending to the right.

Lesley Gallinger, President & CEO, IESO

CC: Brian Rivard- Member, Market Surveillance Panel
Ken Quesnelle- Member, Market Surveillance Panel