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BY E-MAIL AND WEB POSTING

April 9, 2024

**To: All Licensed Electricity Distributors
All Licensed Electricity Retailers
Independent Electricity System Operator
All Other Interested Parties**

**Re: Anticipated Amendments to OEB Codes Associated with Planned
Implementation of the IESO's Market Renewal Program**

The Independent Electricity System Operator (IESO) has stated that it intends to publish Market Rule amendments to implement its Market Renewal Program (MRP) in October 2024, and that implementation of the MRP is expected in May 2025.¹ The purpose of this letter is to provide an advance overview of the Code amendments that Ontario Energy Board (OEB) staff currently expects will need to be in place as and when the MRP Market Rule amendments take effect, to assist electricity distributors in understanding the type and scope of those Code changes. This letter also addresses questions received from stakeholders.

Background

To date, the IESO Board of Directors (IESO Board) has provisionally adopted several batches of Market Rule amendments related to the MRP. The IESO Board is expected to review and consider formal adoption of a full set of Market Rule amendments related to the MRP in October 2024.² OEB staff anticipates that the proposed Code amendments will be issued for comment after the MRP-related Market Rule amendments are finalized, including any review as contemplated by section 33 of the *Electricity Act, 1998*.

¹ [Market Renewal Program Project Status](#).

² [IESO Q4 2023 MRP Project Status Report](#), p.6.

OEB staff is participating in discussions about MRP implementation with IESO staff and electricity distributor representatives. During those discussions, distributors identified the need for early understanding of the changes they need to make to their settlement and billing systems to be ready for MRP implementation.

Anticipated Code Amendments

In response to the request from distributors, OEB staff has reviewed the provisionally approved Market Rule amendments which form the basis for the guidance set out in this letter. Based on its review of the provisionally approved Market Rule amendments, OEB staff expects amendments will need to be made to the settlement provisions of two Codes – the Standard Supply Service Code (SSSC) and the Retail Settlement Code (RSC), collectively “Codes”. OEB staff has also reviewed the Distribution System Code and no need for changes has been identified. If the final Market Rule amendments are consistent with the provisionally approved Market Rule amendments, then OEB staff expects that the Notice of Proposed Code amendments will be aligned with this letter.

The Codes will be impacted because the Hourly Ontario Energy Price is referenced in both and is to be replaced with the Ontario Zonal Price in the day-ahead market plus the Load Forecast Deviation Charge under the MRP.³

The MRP will introduce a day-ahead market for energy as well as zonal (locational) pricing. A real-time market will function as a balancing market. Both markets will employ locational marginal prices for generators, dispatchable loads and price responsive loads. All other consumers will pay the Ontario Zonal Price, an hourly price that is uniform across the province.⁴ Since distributors will not actively participate in the day-ahead market like a dispatchable load, the IESO indicated it will need to forecast distributor demand in the day-ahead market. The IESO will therefore use a Load Forecast Deviation Charge to calculate the hourly settlement amount for non-dispatchable loads, including electricity distributors, which will reflect the difference between the IESO’s forecast and actual demand.⁵

The MRP-related Market Rule amendments include the potential for the IESO to declare a day-ahead market failure or a suspension of the day-ahead market during which time the IESO will calculate the hourly price for non-dispatchable loads using only the real-time market Ontario Zonal Price.^{6,7} Currently, the Codes do not address this situation

³ The IESO explains the day-ahead market Ontario Zonal Price and the Load Forecast Deviation Charge in its [Market Settlement document](#).

⁴ [Memorandum from Technical Panel Chair, August 22, 2023](#).

⁵ [See Market Rule Amendment Proposal MR-00456-R00](#).

⁶ See [MR_00454_R00 System Operations and Physical Markets](#).

⁷ See [Market Rule Amendment Proposal MR-00456-R00](#).

because the IESO produces a Hourly Ontario Energy Price when there is a suspension of the market.⁸

OEB staff have identified sections of the Codes where the Hourly Ontario Energy Price will need to be changed to the sum of the day-ahead market Ontario Zonal Price and the Load Forecast Deviation Charge.

Currently, the RSC states that:

The hourly price to be used in the determination of any of the calculations shall be the Hourly Ontario Energy Settlement Price published by the IMO for the settlement hour. This price shall be used for the purpose of calculating equations 3.3.1(a) and 3.3.2(a) and for the purpose of calculating settlements with retail embedded generators.⁹

Section 3.2 of the SSSC sets out how to determine the spot market price for various classes of consumers for billing purposes. “Spot market price” is defined in the SSSC as “for a given hour, the Hourly Ontario Energy Price established by the IESO for that hour”.

OEB staff have also identified that both Codes will need to reflect the potential that, if and when the day-ahead market is suspended or fails, the real-time market Ontario Zonal Price will need to be used for the applicable settlement hours since the day-ahead market Ontario Zonal Price will not be available.

The IESO will continue to issue a preliminary settlement statement for each trade day 10 business days after the trade day. The IESO will also continue to issue a final settlement statement for each trade day 10 business days after the issuance of the preliminary settlement statement. The preliminary settlement statement will include for all trade day hours the Ontario Zonal Price and the Load Forecast Deviation Charge, and where necessary the real time market Ontario Zonal Price for any days in which the day ahead market was suspended, or has a failure. This approach is consistent with section 5.1 of the RSC, which requires that all distributor settlement calculations shall be based on preliminary settlement data provided by the IESO.

⁸ IESO's day-ahead market [High-Level Design document](#), p.54.

⁹Appendix A of the RSC refers to the Hourly Ontario Energy Settlement Price which has become more commonly known as the Hourly Ontario Energy Price. The equations in sections 3.3.1(a) and 3.3.2(a) are the calculations of settlement costs for interval-metered and non-interval metered customers, respectively.

RPP Settlement and MRP

Electricity distributors are required to submit their preliminary Regulated Price Plan (RPP) settlement claims to the IESO by the fourth business day after the end of the settlement month. Discussions between IESO staff, OEB staff and electricity distributors have confirmed that the IESO will need to provide distributors with an estimate of the Load Forecast Deviation Charge for a certain number of days at the end of the settlement month (typically, about six days). Therefore, for the purpose of RPP settlement submissions, distributors will be expected to rely on an estimate of the Load Forecast Deviation Charge published by the IESO for a period at the end of each settlement month.

OEB Staff Responses to Stakeholder Questions

OEB staff is taking this opportunity to provide responses to some stakeholder questions related to the expected changes to the Codes.

OEB staff has received questions from stakeholders about the impact on the RSC related to distributor settlement of retail embedded generators. All retail embedded generators currently settled by distributors based on the Hourly Ontario Energy Price are expected to continue to be settled based on a uniform hourly price as per the expected change to Appendix A of the RSC discussed above. For clarity, in OEB staff's view, no further change to the RSC would be required.

OEB staff has also been asked about the impact of MRP on bill presentment. There would be no change to bills for RPP customers.¹⁰ For the purpose of billing non-RPP customers, it is expected that the day-ahead market Ontario Zonal Price and the Load Forecast Deviation Charge will be combined in the "Electricity" line of customer bills as a single charge (i.e., the Load Forecast Deviation Charge would not be a separate line item). OEB staff also notes that the description of the "Electricity" line on the back of the bill is general in nature.¹¹ OEB staff therefore expects the change in the hourly price would not result in the need for distributors to make any changes in terms of bill presentment or how non-RPP customers are billed.

Summary and Next Steps

OEB staff expects that Market Rule amendments that result in changing the hourly price from the Hourly Ontario Energy Price to the sum of the day-ahead market Ontario Zonal Price and the Load Forecast Deviation Charge will necessitate changes to Appendix A of the RSC and the spot market price definition of the SSSC, both of which presently

¹⁰ The RPP prices set by the OEB include all charges related to the commodity.

¹¹ The back of the electricity bill states the following: "Electricity - This is the cost of the electricity supplied to you during this billing period and is the part of the bill that is subject to competition."

refer to the Hourly Ontario Energy Price. Also, for the purpose of RPP settlement submissions, it is expected that distributors will rely on an estimate of the Load Forecast Deviation Charge published by the IESO before the preliminary settlement statement becomes available for a certain number of days at the end of each settlement month.

OEB staff plans to issue a draft of the Accounting Guidance related to MRP implementation in May 2024. It will include guidance related to the accounting for the commodity related variance accounts (i.e., accounts 1588 and 1589) and RPP settlement after the MRP is implemented, including the treatment of the variance between the actual and the estimated Load Forecast Deviation Charge discussed above. The Accounting Guidance will also include the treatment of the new IESO Charge Types (i.e., mapping them to OEB variance account(s)).

Any questions related to this letter should be directed to the OEB's Industry Relations Enquiry (IRE) e-mail at IndustryRelations@oeb.ca. Please include "Expected MRP Impacts on OEB Codes" in the subject line of the e-mail. In addition to responding to questions individually through the IRE process, OEB staff may publish a Q&A document reflecting any responses given for the benefit of all distributors.

Yours truly,

Brian Hewson
Vice President
Consumer Protection & Industry Performance