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May 2, 2017

**BY E-MAIL AND WEB POSTING**

Mr. Bruce Campbell  
President and Chief Executive Officer  
Independent Electricity System Operator  
Suite 1600, 120 Adelaide Street West  
Toronto, Ontario M5H 1T1

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 November 2015 to April 2016 (the MSP Report). I attach a copy of the MSP Report for your reference.

The MSP Report contains four recommendations addressed to the Independent Electricity System Operator (IESO). One recommendation asks that the IESO assess the value provided by capacity procured through the IESO's Demand Response auction in light of Ontario's surplus capacity conditions and the cost-effectiveness gains that could be achieved from a technology neutral approach to procuring capacity. A second recommendation encourages the IESO to address the issue of scheduling and paying dispatchable loads for operating reserve that they are not capable of providing in real-time.

The other two recommendations call for revisions to enhance the fairness of the transmission rights market. Specifically, the MSP is recommending that the IESO:

- (i) revise the manner in which it allocates disbursements from the Transmission Rights Clearing Account such that the disbursements are proportionate to transmission service charges paid over the relevant period; and
- (ii) revise the methodology used to set the intertie failure charge to include congestion rents that an intertie trader avoids when it fails a scheduled transaction for reasons within its control.

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.