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ROSEMARIE T. LECLAIR
CHAIR & CEO | PRÉSIDENTE et DIRECTRICE GÉNÉRALE

BY E-MAIL AND WEB POSTING

February 23, 2018

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

Dear Mr. Gregg:

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 May 2016 to October 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), all related to payments that appear to the MSP to be unwarranted or inefficient:

- One recommendation asks that the IESO implement rules to enable it to recover Congestion Management Settlement Credit (CMSC) payments made to dispatchable loads when the payments are the result of an operational constraint arising from conditions at the dispatchable load's facility. The recommendation also encourages the IESO to examine whether the scope of existing provisions that allow the IESO to recover CMSC payments made to generators under similar circumstances should be expanded.
- A second recommendation encourages the IESO to revise the replacement bid price for exports bid at negative prices, currently set at $-\$125/\text{MWh}$, to $\$0/\text{MWh}$ or slightly negative.

- The remaining two recommendations are related. One calls for the IESO to revise its materiality threshold to ensure that operating reserve payments are clawed back when a market participant fails to fully respond to its operating reserve activation. The other pertains to how the clawed back amount should be calculated.

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.