



APPRO

ASSOCIATION OF
POWER PRODUCERS
OF ONTARIO

**APPRO Comments Regarding
The IESO's Market Renewal Project
May 26, 2022**

APPRO is pleased to submit the following comments on the Market Renewal Project (MRP) to the IESO.

MRP is a major project expenditure that the IESO has undertaken for several years, consuming significant time and resources. MRP was initiated in 2016 and has progressed slowly in the 6 years since its inception. MRP is intended to replace Ontario's present electricity market with a new design that eliminates certain inefficiencies and lays the groundwork for an enduring, robust, and competitive energy market in Ontario.

In Fiscal 2021 the IESO spent \$24 million on MRP and in Fiscal 2022, the IESO is budgeting approximately \$40 million on MRP-related capital spending. In totality, MRP is expected to cost \$178 million by the time it comes into service in 2023, as per the IESO's latest public implementation guidance.

The IESO argues that implementing MRP will create significant benefits to ratepayers, the IESO, and the electricity sector more broadly by enabling greater participation and competition amongst resources.

More specifically, the IESO has stated that MRP will deliver more efficient markets by:

1. Replacing the two-schedule market with a single schedule market (SSM) that will address current misalignments between price and dispatch, eliminating the need for unnecessary out-of-market payments.
2. Introducing a Day-Ahead Market (DAM) that will provide greater operational certainty to the IESO and greater financial certainty to market participants, which lowers the cost of producing electricity and ensures we commit only the resources required to meet system needs.
3. Undertaking an Enhanced Real-Time Unit Commitment (ERUC) initiative, to replace the current Real-Time Generator Cost Guarantee (RT-GCG) program and reduce the cost of scheduling and dispatching resources to meet demand as it changes from the day-ahead to real-time.

Recently, however, there have been suggestions that MRP may be significantly delayed. Given the substantial impact of MRP on market participants, and the time and money needed to prepare for its

arrival, it is imperative that the IESO keep the sector abreast of and engaged on evolving project timelines, e.g., project delays, and any rescoping.

Market participants are incurring real costs to keep up with the detailed IT hardware and/or software changes with MRP, the need to change existing processes and train staff. MRP is a significant drain on resources and exposes market participants to increased risk if the implementation is not correctly managed.

Given the broader structural and technological changes that Ontario is experiencing, APPrO questions whether the project needs refreshing and rescoping to ensure it is still on course for November 2023 in-service. MRP was previously rescoped when the Incremental Capacity Auction (ICA) was removed from scope, and APPrO would argue that it should be rescoped and reprioritized again especially considering that, in APPrO's opinion, the project will not deliver a number of the benefits that were originally envisioned.

The electricity sector of the past and present will not be the electricity sector of the future. The IESO is currently undertaking procurements that will add thousands of MWs of new capacity to the province that will fundamentally change the supply mix. Radically different demand scenarios are being considered in the face of uncertain electrification intensities and timelines. Lastly as, provincial, federal, and municipal governments are becoming increasingly more active in this sector, their involvement will further shape the future of the sector.

In addition to the massive undertaking of implementing MRP, the Ontario Government has specifically requested that the IESO evaluate a moratorium on the procurement of new natural gas generating stations in the next 10 years and develop "an achievable pathway to phase out natural gas generation and achieve zero emissions in the electricity sector".

At the same time, it is moving forward with two key initiatives in support of integrated long-term planning:

- a) An Electrification and Energy Transition Panel to provide expertise and advice on how to coordinate long-term energy planning, while considering growing energy demand, emerging technologies, environmental considerations, and affordability; and,
- b) Commissioning an independent pathways study to better understand how to optimize technology and prepare the energy system for electrification.

All have the potential to inject further uncertainty into the future nature and operation of the grid.

APPrO supports much of the rationale for market reform, and our interest is to make this project as successful as possible. Given the plethora of activity currently underway, APPrO submits that the time is right to take stock of the MRP project to refocus, rescope and refresh it to ensure the implementation of an enduring, robust and competitive energy market in Ontario. The opportunity exists for APPrO and the IESO to work collaboratively to re-define a streamlined implementation plan for MRP that solves the most fundamental issues and does not create a complex program that becomes impossible to manage and implement. In APPrO's opinion there are two modules that seem to be straying into the world of overly complex and unnecessary. The first is the Market Power Mitigation (MPM) Framework in its current design and the second is the ERUC process.

In summary, APPrO is prepared to work with the IESO and other stakeholders to undertake a project review in order to ensure MRP remains on time, on budget and provides an appropriate and enduring foundation for Ontario's rapidly changing electricity market.

As an initial step, the IESO should:

- a) Clarify the status of the project's implementation timeline; and
- b) Schedule an engagement session with the objective of developing a plan to prioritize completion of critical elements (e.g., LMP, DAM) and rescoping or deferring those that are not material for Day 1 implementation, or which have become too complicated for the value they provide (e.g., ex ante MPM and ERUC).