



## Market Rule Amendment Proposal Form

### Part 1 Market Rule Information

Identification No.:	MR-447-R00
Subject:	Congestion Management Settlement Credits (CMSC)
Title:	CMSC Recovery from Dispatchable Loads
Nature of Proposal:	<input checked="" type="checkbox"/> Alteration <input type="checkbox"/> Deletion <input checked="" type="checkbox"/> Addition
Chapter:	9
Appendix:	N/A
Sections:	3.5
Sub-sections proposed for amending:	3.5.6E & new 3.5.6G

### Part 2 Proposal History

Version	Reason for Issuing	Version Date
1.0	Submitted for Technical Panel Review	January 12, 2021
2.0	Publish for Stakeholder Review and Comment	January 21, 2021

Approved Amendment Publication Date:	
Approved Amendment Effective Date:	

## Part 3 Explanation for Proposed Amendment

Provide a brief description of the following:

- The reason for the proposed amendment and the impact on the *IESO-administered markets* if the amendment is not made.
- Alternative solutions considered.
- The proposed amendment, how the amendment addresses the above reason and impact of the proposed amendment on the *IESO-administered markets*.

### Summary

The IESO proposes to amend the market rules to enable the recovery of inappropriate congestion management settlement credit (CMSC) payments from dispatchable loads when those payments are a result of actions taken to prevent endangering the safety of any person, equipment damage, or the violation of any applicable law (SEAL). These CMSC payments are inappropriate and considered self-induced as they are the result of actions taken by the dispatchable load and/or conditions at, or involving, the dispatchable load facility and not by conditions on the IESO controlled-grid.

The proposed market rule amendment will enable the IESO to recover CMSC when a dispatchable load facility that for safety, legal, regulatory, environmental or equipment damage reasons is either:

- Unable to follow IESO dispatch instructions; and/or
- Constrained on or constrained off by the IESO, at the request of the dispatchable load.

The amendment proposal was discussed with stakeholders on October 27, 2020. Further information on the stakeholder discussion can be found at the following webpage: [IESO Stakeholder Engagement – Public Information Sessions](#).

### Background

CMSC payments are a consequence of the Ontario uniform pricing system and result from a divergence between a facility's unconstrained market schedule (used to determine the uniform market clearing price) and its constrained dispatch schedule (used for actual dispatch of facilities based on the physical conditions of the IESO-controlled grid and the physical capabilities of dispatchable resources). When a dispatchable load's constrained dispatch schedule differs from its unconstrained market schedule, CMSC payments are intended to ensure that market participants are kept whole to the operating profit they would have received under their market schedules. Operating profit for a dispatchable load is the difference between the cost of purchasing energy and the benefit they realize by using the energy. The operating profit for purposes of the CMSC payment is predicated on the assumption that the dispatchable loads bid price reflects their marginal cost of consumption.

For more information on CMSC payments, please consult the IESO marketplace training manual "[Introduction to Ontario's Physical Markets](#)."

The Market Surveillance Panel (MSP), who monitor, investigate and report on activity and behavior in the IESO-Administered Market have reported on CMSC in several reports since market opening. No other element of the IESO-administered market “has attracted the attention and concern of the MSP more than CMSC payments,” (refer to the MSPs Report: [Congestion Payments in Ontario’s Wholesale Electricity Market: An Argument for Reform](#)) In the MSP’s 2015 Investigation Report on CMSC Payments and its 2018 Monitoring Report (recommendation 3-1), the MSP reported on CMSC payments made to dispatchable loads and recommended that the IESO review these payments to determine if significant amounts continue to be unwarranted (i.e. as a result of market participant actions or conditions at their facility, rather than conditions on the IESO-controlled grid). The MSP further recommended that the IESO pursue a market rule amendment that would allow the IESO to recover any such unwarranted CMSC payments from dispatchable loads.

Since market opening the IESO Board has approved a number of market rule amendments to limit CMSC payments to market participants when those payments were deemed inconsistent with the original intent of CMSC. The 2018 MSP recommendation regarding inappropriate dispatchable load CMSC covers a similar issue addressed under [MR-00252-R00](#), which was approved by the IESO Board in 2011. MR-00252 enabled the IESO to recover self-induced CMSC payments from dispatchable generators when for safety, legal, regulatory, environmental or equipment damage reasons the facility is either:

- Unable to follow IESO dispatch instructions; and/or
- Constrained on or constrained off by the IESO, at the request of the generator.

The IESO reviewed the market rule provisions that would allow for the recovery of CMSC payments from dispatchable loads and confirmed the misalignment of treatment between dispatchable loads and generators when those payments are a result of actions taken to prevent SEAL. The historical market rule amendment, MR-00252-R00, explicitly addressed the SEAL related CMSC payments for dispatchable generators. There is no specific market rule provision that addresses SEAL related CMSC payments for dispatchable loads. Due to this misalignment the IESO is proposing to introduce a similar market rule for dispatchable loads as was included for dispatchable generators under MR-00252-R00. The proposed market rule amendment will ensure that the IESO has the ability to recover such inappropriate CMSC from dispatchable loads and will align the IESO’s treatment of loads and generators with respect to CMSC clawbacks for SEAL related reasons.

## Discussion

### Chapter 9 Amendments:

Insert new section 3.5.6G in Chapter 9 to enable the IESO to recover inappropriate CMSC when a dispatchable load facility that for safety, legal, regulatory, environmental or equipment damage reasons is either:

- Unable to follow IESO dispatch instructions; and/or

- Constrained on or constrained off by the IESO, at the request of the dispatchable load.

Amend section 3.5.6E to include reference of new section 3.5.6G. This will allow for the recovery of the inappropriate CMSC identified in new section 3.5.6G to utilize an existing process for the recovery of inappropriate CMSC. Further information on the recovery process outlined in section 3.5.6E is described below under implementation.

#### Implementation:

The recovery of inappropriate CMSC under section 3.5.6G will use the process outlined in section 3.5.6E of Chapter 9, where the IESO notifies the affected market participant of its intent to recover the inappropriate CMSC. The market participant will be notified of the time frame within which it may respond to the IESO notification. This time frame shall not be less than five business days from the date the notice is received. Upon receiving a response from the market participant within the specified time period, or upon expiry of the time period without any response from the market participant, the IESO may choose to either finalize its determination or gather further information to assist in its final determination on the amount of inappropriate CMSC to recover. In either situation, the IESO will notify the market participant of the final outcome. If the market participant disagrees with the amount of CMSC that is recovered, the market participant can file a notice of disagreement regarding the recovery under the existing market settlement process.

#### Distribution of Recovered Inappropriate CMSC:

As per existing section 3.5.6E, any payments recovered under new section 3.5.6G would be distributed to other market participants as a non-hourly settlement amount. The non-hourly settlement amounts for the recovery inappropriate CMSC are specified under existing section 4.8.2.5 of Chapter 9, to which no amendments are being proposed.

## Part 4 Proposed Amendment

### Chapter 9

#### 3.5 Hourly Settlement Amounts for Congestion Management

.....

3.5.6 The *IESO* shall adjust, in the matrices specified in section 3.5.2 and for the purposes of determining the applicable congestion management *settlement* credit payments, any *offer price* that:

3.5.6.1 is associated with a *generation facility* or is associated with an injecting *boundary entity*; and

3.5.6.2 is less than a specified lower limit where such limit is the lesser of 0.00 \$/MWh and the *energy market price* for the applicable *dispatch interval*;

to that lower limit.

3.5.6A The *IESO* may adjust, in the matrices specified in section 3.5.2 and for the purposes of determining the applicable congestion management *settlement* credit payments, any *bid* price that:

- 3.5.6A.1 is associated with a *dispatchable load facility* or is associated with a withdrawing *boundary entity*;
  - 3.5.6A.2 is less than the prices determined by the *IESO* in accordance with the applicable *market manual*, and
  - 3.5.6A.3 is less than the *energy market price* in the applicable Ontario or *intertie zone* for the applicable *dispatch interval*,
- to the lesser of the prices determined by the *IESO* in accordance with the applicable *market manual* and the *energy market price* in the applicable Ontario or *intertie zone*.

3.5.6B A *registered market participant* for a *registered facility* that is a *dispatchable generation facility*, who:

- increases the *offer* price associated with the *generation facility minimum loading point* for its *minimum generation block run-time* so that under Chapter 7 section 5.7.1.4 the *registered market participant* for the *generation facility* is no longer eligible for the applicable guarantee; and
- has received a manual constraint from the *IESO* for the *generation facility* under Chapter 7 section 6.3A.2 or 6.3A.4;

subject to section 3.5.6E, is not entitled to any inappropriate congestion management *settlement* credit or ramp-down *settlement* amount, determined in accordance with section 3.5.2 or 3.5A respectively, associated with that *offer* price increase for *settlement hour`h'*, where *settlement hour`h'* falls within the *generation facility minimum generation block run-time*. The *IESO* may recover such congestion management *settlement* credit or ramp-down *settlement* amount in accordance with section 3.5.6E.

3.5.6C A *registered market participant* for a *registered facility* that is a *dispatchable generation facility*, who, for *settlement hour`h'*:

- is unable to comply with a *dispatch instruction* under section 7.5.3 of Chapter 7, to prevent endangering the safety of any person, equipment damage, or violation of any *applicable law*; and/or
- requests that the *IESO* apply a constraint to the *dispatchable generation facility* to prevent endangering the safety of any person, equipment damage, or violation of any *applicable law*, excluding constraints applied under Chapter 7 sections 6.3A.2 or 6.3A.4;

subject to section 3.5.6E, is not entitled to any inappropriate congestion management

*settlement* credit or ramp-down *settlement* amount, determined in accordance with section 3.5.2 or 3.5A respectively, resulting from the above actions for *settlement hour* 'h'. The *IESO* may recover such congestion management *settlement* credit or ramp-down *settlement* amount in accordance with section 3.5.6E.

3.5.6D A *registered market participant* for a *registered facility* that is a *dispatchable generation facility* and is fueled by a related *generation facility*, who, for *settlement hour* 'h':

- has received a constraint from the *IESO* for the *dispatchable generation facility* as per the applicable *market manual*; and
- submits or has submitted an *offer price* for that *dispatchable generation facility* for *settlement hour* 'h' greater than a specified limit defined in the applicable *market manual*;

subject to section 3.5.6E, is not entitled to any inappropriate congestion management *settlement* credit or ramp-down *settlement* amount, determined in accordance with section 3.5.2 or 3.5A respectively, associated with that *offer price* for *settlement hour* 'h'. The *IESO* may recover such congestion management *settlement* credit or ramp-down *settlement* amount in accordance with section 3.5.6E.

3.5.6E The *IESO* may recover congestion management *settlement* credits or ramp-down *settlement* amounts in accordance with sections 3.5.6B, 3.5.6C, ~~and~~ 3.5.6D [and 3.5.6G](#). In this situation, the *IESO* shall:

- notify the *market participant* of its intent to recover that congestion management *settlement* credit or ramp-down *settlement* amount; and
- notify the *market participant* of the time, which shall not be less than five *business days* from the date of receipt of the notice, within which the *market participant* may make written representations in response to the *IESO's* intent.

On receiving a response from the *market participant* within the specified time period, or upon expiry of the specified time period within which no response is received from the *market participant*, the *IESO* shall either:

- determine the amount of the congestion management *settlement* credit or ramp-down *settlement* amount to recover and notify the *market participant* accordingly; or
- gather further information as the *IESO* determines appropriate to determine the amount of the congestion management *settlement* credit or ramp-down *settlement* amount to recover and notify the *market participant* accordingly of the determination.

The *IESO* shall redistribute any payments that are recovered in accordance with section 4.8.2.

3.5.6F Where the *energy market price* for the applicable *dispatch interval* is less than zero, the *IESO* may adjust, in the matrices specified in section 3.5.2 and for the purposes of determining the applicable congestion management *settlement* credit payments, any *bid* price that:

3.5.6F.1 is associated with a withdrawing *boundary entity* at an *intertie* that is not import congested; and

3.5.6F.2 is greater than the *energy market price* in the applicable *intertie zone* for the applicable *dispatch interval*;

to the prices determined by the *IESO* in accordance with the applicable *market manual*.

3.5.6G A registered market participant for a registered facility that is a dispatchable load, who, for settlement hour`h`:

- is unable to comply with a dispatch instruction under section 7.5.3 of Chapter 7, to prevent endangering the safety of any person, equipment damage, or violation of any applicable law; and/or
- requests that the IESO apply a constraint to the dispatchable load facility to prevent endangering the safety of any person, equipment damage, or violation of any applicable law;

subject to section 3.5.6E, is not entitled to any inappropriate congestion management settlement credit, determined in accordance with section 3.5.2, resulting from the above actions for settlement hour`h`. The IESO may recover such congestion management settlement credit in accordance with section 3.5.6E.

.....