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Congestion Management Settlement Credit Recovery for Dispatchable Loads

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Agenda

- Objective
- Background
- IESO Proposal
- Changes in Governing Documents
- Market Renewal Program
- Next steps

Objective

- To present proposed market rule amendments to stakeholders for feedback.
- The proposed market rule amendments for dispatchable loads are intended to achieve better alignment with existing market rules for dispatchable generators, enabling the IESO to recover congestion management settlement credit (CMSC) payments related to operational constraints that are applied to prevent endangering the **safety** of any person, **equipment** damage, or violation of any **applicable law** (SEAL).

Background

- When a dispatchable facility's constrained dispatch schedule deviates from its unconstrained market schedule, subject to other applicable provisions of the market rules, the market participant (MP) is eligible for CMSC payments.
- CMSC payments are intended to provide compensation to MPs for the change in implied operating profits.
- The two-schedule system in the current market design has resulted in significant amounts of CMSC payments. This will be addressed when the Market Renewal Program (MRP) is implemented and the costs of producing or consuming electricity are reflected in the market price.

Past Market Rule Changes

- In 2011, the IESO amended the market rules to allow for recovery of CMSC payments from dispatchable generators when those payments are a result of operational constraints applied by the IESO to address **SEAL conditions**¹ rather than conditions on the grid.
- In order to respect SEAL conditions, the IESO applies an operational constraint to limit the dispatch. This constraint may trigger a CMSC payment. However, since the constraint is due to conditions at the facility and not on the grid, the CMSC is seen as inappropriate and therefore recoverable.

¹ Chapter 9, Section 3.5.6C – Conditions that endanger the safety of any person, result in equipment damage or violate any applicable law.

Market Surveillance Panel (MSP) Recommendations

- The MSP has issued recommendations² to the IESO regarding what were considered to be unwarranted CMSC payments made to dispatchable loads.
- The MSP recommended that the IESO implement market rules that allow recovery of CMSC payments made to dispatchable loads when those payments are the result of an operational constraint arising from conditions at the facility.

² Recommendation from [February 2015 Investigation Report](#) and Recommendation 3-1, [March 2018 Monitoring Report](#)

IESO Proposal

- Based upon a review of market rules and processes, the IESO proposes an amendment in advance of MRP implementation, allowing recovery of CMSC payments from dispatchable loads when those payments are the result of SEAL conditions.
- This amendment will achieve two outcomes:
 - ensure that market rules allowing the IESO to recover SEAL CMSC payments are applied consistently to both dispatchable loads and dispatchable generators; and
 - address the MSP recommendations.

Proposed New Market Rule – Chapter 9, Section 3.5.6G

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 or 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.

Process for CMSC Recovery – Chapter 9, Section 3.5.6E

- Under Section 3.5.6E, the IESO notifies the MP of its intent to recover the CMSC and provides the MP at least five business days to respond.
- The IESO may or may not gather further information following the receipt of the MP response, and will then finalize its determination on the recoverable CMSC amount, and advise the MP.
- The usual notice of disagreement process is available to MPs when any such CMSC recovery appears on its settlement statement.

Chapter 9, Section 3.5.6E will establish the process for recovery of inappropriate SEAL CMSC for both dispatchable loads and generators.

Market Manual Changes

- Market Manual 5.5 will be amended to reflect the market rule and the process for recovery of inappropriate CMSC payments from dispatchable loads.
- The CMSC recovery will be applied as a manual entry to charge type 124 “SEAL Congestion Management Settlement Credit Amount” on the settlement statement for the last trading day of the month.
- These changes will align the treatment of dispatchable loads and dispatchable generators as outlined in the market manual.

Impact of the Market Renewal Program (MRP)

- Payment recovery related to SEAL is consistent with design changes contemplated by the MRP, which would eliminate the two-schedule system and CMSC.
- Under MRP, a dispatchable facility will not be eligible for a make-whole payment when it is dispatched up or down for SEAL reasons or at its own request.
- MRP will be implemented in 2023.

Stakeholder Feedback Requested

- The IESO is seeking stakeholder feedback on this proposal and the proposed market rule amendments.
 - Do stakeholders understand the objective and approach of this proposal? Is further clarification required?
 - What modifications, if any, to the proposed market rule amendments should the IESO consider?

Submitting Stakeholder Feedback

- Written feedback can be provided to engagement@ieso.ca using the feedback form on the [engagement web page](#) by November 17.
- Please use the feedback form provided to ensure stakeholder feedback is compliant with the Accessibility for Ontarians with Disabilities Act (AODA). If you choose not use the IESO feedback form, please provide an AODA compliant pdf document.

Next Steps

- The IESO will aim to review and respond to feedback and provide further information on this proposal by the end of 2020.
- In the meantime, the IESO will present this proposal at the November 10th Technical Panel meeting as background information.

Thank You

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