

Independent Electricity System Operator  
1600 – 120 Adelaide Street West  
Toronto, ON M5H 1T1

Attention: Mr. Andrew Duncan  
Business Advisor, IESO Customer Relations

## Comments on Reconsideration of Exemptions of the Market Rules

### Preamble

ArcelorMittal Dofasco (“AMD”) is pleased to have the opportunity to provide feedback on IESO’s proposed exemption reconsideration 1308 to clarify how our EAF can continue to participate as a dispatchable load in providing Operating Reserve (OR) at a low cost to electricity consumers in Ontario. It is especially important that AMD clearly understand how EAFs can participate given our planned addition of a second, and much larger EAF as part of our Decarbonization plans in Hamilton. This goal requires that IESO’s proposed exemption reconsideration contains no ambiguities as to its application.

Please note that our comments, although focused on Notice of Reconsideration AMD 1308, are also comments on exemptions for dispatchable loads generally.

We recognize the primary purpose of the proposed exemption reconsideration is to formally document the energy bid/Operating Reserve offer practices that have been in place since AMD first started as a dispatchable load with an IESO approved exemption in 2006. As such, the proposed exemption reconsideration supports how IESO, and AMD have partnered and worked together; employing a methodology to calculate a longer-term average resulting in an appropriate hourly bid/offer basis as an EAF cannot bid on a 5-minute interval basis. [Note: should we include Darren’s comment: Not sure if you want to comment on the fact that the hourly average, by definition of a load that’s down for a few intervals per hour, be less MW than will actually be delivered ~75% of the time]

The use of historical averages, however calculated, is a way for the IESO and market participants to agree on the value that an EAF provides both for scheduling and compensation purposes. We think that the proposed exemption reconsideration generally does this well.

However, it is critical to AMD that the proposed exemption reconsideration clearly and definitively articulate how we participate in the market in real-time. Clearly defined practices based on common understanding must be documented in the clarified exemption to ensure there is no uncertainty as to how the market participant is to operate under the refreshed exemption. For example, issues such as when and how to notify the IESO with an email versus a telephone call to the IESO to notify them of operational issues. The current approach under AMD’s existing exemption works well, given that we do not have access to the same kind of derate tools that the generators have, however this is not documented in the new proposed exemption reconsideration. In our more

detailed comments on the proposed exemption reconsideration, we will provide some examples of how things have been managed between the IESO and EAF today that are not clearly addressed in the proposed exemption reconsideration.

We are very disappointed that there was not a meaningful opportunity to fine tune the proposed exemption reconsideration before it was posted by IESO for comments. It is important that this reconsidered exemption works for both AMD and IESO to eliminate all uncertainty that appears to exist in the current exemption.

## Feedback by Section

### *Reconsideration/Removal*

- The definition of dispatchable consumption fails to take into consideration the instances in which there is a small portion of the load on the meter that is non-dispatchable. The proposed exemption reconsideration does not consider this. Clarity on this point will ensure (i) elimination of unintended and unavoidable participant non-compliance and (ii) regulatory compliance transparency.
- The circumstance related to the timing of the production cycles deviating is too vague. Is the intended reference to the number of intervals of zero consumption increasing? If yes, please clarify.

*Section 1 (d)* The nature of the EAF and its demand pattern through the operating cycle does not fit into the “Normal Consumption Pattern” fields provided. We acknowledge and agree that it is fair for the IESO to establish what the normal consumption pattern would be, however there is language in the current exemption that addresses a situation where the average load is lower than normal and the consecutive zero intervals increase. We respectfully request that the proposed exemption reconsideration be revised to specify what the obligations are for the load to notify the IESO, including required method of notification, and to pull bids.

*Section 3)* The IESO has confirmed that this does not mean that we shed to an absolute dispatch amount dispatched in an interval. If such a load receives an OR activation during a period when its consumption is low as allowed by its exemption, it is still expected to accept the dispatch. To comply with its OR activation, it must then stay at or below the OR dispatch level until it receives a dispatch allowing it to consume more. We respectfully request that language be inserted to explicitly state same.

*Section 6)* The revised exemption should be clear on what the obligations are for the load to notify the IESO, including required method of notification, and to pull bids. We acknowledge and agree that offers should be removed promptly but given the limitations of the IESO tools, we would suggest that some clearer communication protocol be established like what we have in place today. It was confirmed by the IESO that the existing IESO tools would remain in place as there is no current work on a derate tool for dispatchable loads. Our comments are based upon this information.



*Section 8)* Respectfully, we find the language in this section to be too vague, and “material’ is not defined. We are not aware of what the published guidelines are. We have asked the IESO to provide them. A clear understanding of what the IESO expects us to report would ensure (i) elimination of unintended participant non-compliance and (ii) regulatory compliance transparency.

The revised exemption is intended to operate so that the market participant is not held to a dispatch level (MW) in real time. Loads will bid their calculated historical energy consumption, fully knowing that due to the nature of the load, it will deviate from the bid. Over time, the historical energy consumption will self correct and compensate accordingly. Then, regarding the downtime intervals, operating normally will be defined in the exemption with a clear number of intervals of downtime. In the event there is an increase to the downtime, loads will follow a set response that they are required to provide the IESO, notifying them of the unexpected event.

*Section 10)* IESO has indicated that the requirement is to bid the Historical Energy Consumption except in periods of derate as defined in section 12). This is what is captured here.

*Section 11)*

- The inclusion or exclusion of a non-dispatchable portion of supply in the calculation of the average means that the term AQEW might not apply here.
- The IESO should complete these calculations or verify the calculations to avoid an uncertainty as to what the value would be. This ensures the value bid is correct and there is no risk to participant for miscalculating their bids and checks being completed by the IESO every 6 months.

*Section 12)*

- It is not clear why this section references the Normal Consumption Pattern. We respectfully request that the proposed exemption reconsideration be revised to include a numerical value such as the Historical Energy Consumption or Peak Demand rather than Normal Consumption Pattern.
- The responsibility to adjust energy bids and inform the IESO should be more clearly defined to ensure (i) elimination of unintended participant non-compliance and (ii) regulatory compliance transparency.
- A derate of the energy offtake is technically unlikely for an EAF.

*Section 14)* The IESO confirmed that it would expect AMD to bid at the Maximum OR offer unless derated as defined in section 12. We respectfully request that language be inserted to explicitly state same.

To clearly state this expectation, section 14 should read, *“Subject to terms and conditions of this Exemption, Dofasco shall submit operating reserve offers of its Maximum OR Offer in respect of every dispatch hour during which it intends to offer operating reserve, unless Dofasco reasonably expects consumption at Dofasco’s dispatchable load to decrease as stated in 12).*

### Section 15)

- 15(a) The calculation should exclude the periods of zero dispatchable demand as this represents the true value of the OR we provide. We respectfully request that language be inserted to explicitly state same.
- 15(a) The inclusion or exclusion of non-dispatchable portion of supply in the calculation of the average means that the term AQEW might not apply here. IESO to confirm. We respectfully request that language be inserted to explicitly state same.
- 15 (a) Intervals that the OR offer is reduced as described in section 16 should be excluded from the calculation of the Max OR Offer for the subsequent period as this avoids compounding the OR revenue loss into the subsequent period. Similarly, the periods where intervals are adjusted as specified in section 19(c) should be excluded. The IESO to confirm. We respectfully request that language be inserted to explicitly state same.
- 15(e) As discussed with the IESO, it needs to be clearly stated that there would there be no retroactivity in applying the revised calculations. We respectfully request the IESO insert clarifying language.
- We would like the IESO to do these calculations or verify the calculations to avoid an uncertainty as to what the value would be to ensure (i) elimination of unintended and unavoidable participant non-compliance and (ii) regulatory compliance transparency.

### Section 16

- It is not clear why this section references the Normal Consumption Pattern. We respectfully request that the proposed exemption reconsideration be revised to include a numerical value such as the Max OR Offer or Peak Demand which we believe would make more sense.
- The responsibility to adjust OR offers and inform the IESO should be more clearly defined to ensure (i) elimination of unintended participant non-compliance and (ii) regulatory compliance transparency.
- A derate of the energy offtake is technically unlikely for an EAF.
- All hours that AMD derates for in a 6-month period should be exempt from the subsequent calculation for the Maximum OR offer as AMD is already incurring the loss of revenue in the current period by derating. If these periods were captured in the calculation, it would result in a double loss for the derate period.
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### Section 17)

- This does not align with the current communication strategy as agreed to with the IESO. Clearly defined practices based on common understanding need to be documented in the exemption to ensure there is no uncertainty as to how the market participant is to operate under the exemption and to eliminate unintended and unavoidable participant non-compliance.

- There should be no requirement to pull the OR offer if we believe that the OR will be available as normal in the subsequent hour. This is the practice today. The IESO to confirm. We respectfully request that language be inserted to explicitly state same.

*Section 19*) The IESO has advised that the automated tool to calculate inaccessible operating reserve charges (claw backs) will not be available until November 2022. The implementation of this exemption prior to that is therefore critical to ensure elimination of unintended and unavoidable participant non-compliance.

- 19(c) As mentioned before, this section seems to provide for a double claw back of OR. Alternatively, we suggest to the IESO that any clawed back intervals have to be reduced from the HEC or the clawback will be double what it should have been. The indication from the IESO was that this would only apply if the provisions under section 17 were not followed. This seems akin to a penalty masquerading as a charge in that case. This is not acceptable to AMD. We respectfully ask the IESO to confirm and provide clarifying language.
- 19(d) The open-ended nature of this provision is concerning. It should be clear that the IESO has a responsibility to monitor our conformance to this proposed exemption reconsideration on a routine basis. No exemption completely captures all the nuances of our participation in the market. AMD notes that semi-annual monitoring by the IESO regarding compliance with exemption conditions has been part of AMD's existing exemption since it was approved by the IESO in 2004. Once a six-month calculation is complete, it should be used only if the IESO is satisfied that we have performed as per the exemption for the prior periods. This will ensure there is no retroactive risk exposure to AMD for non-compliance, which is especially important given our planned addition of a second, and much larger EAF.