

IESO Response to Feedback

Exemption Reconsideration – Gerdau Long Steel

The IESO thanks you for your comments related to the draft terms and conditions of Gerdau's exemption reconsideration posted to the IESO website on June 10, 2022. The IESO appreciates the time and effort you took to make this submission, and has responded to each of your comments, below.

The IESO response to stakeholder feedback below is ordered by your comments on the sections within the terms and conditions. In the new draft terms and conditions, please note that section 17 has been deleted and so the section references in your submission and below may not align with the section references in the updated terms and conditions.

1. Clarifications

Gerdau's submission includes comments which relate to the practices and interpretation of Gerdau's current exemption. For instance, Gerdau states that:

"The proposed revised Exemption reinforces the IESO's historical intent that the Exemption is required to facilitate participation of a batch load in both Energy and OR markets. Gerdau's consumption profile and bidding and offer practices have remained consistent since the initial Exemption was approved. In 2004 to 2005 both the IESO and MACD reviewed Gerdau's performance in both the Energy and OR Markets, known as "the initial compliance period" and effectively signed-off on Gerdau's participation in the Energy Market and provision of OR. The proposed revised Exemption makes it explicit that the purpose of the Exemption is to facilitate the load's provision of OR, rather than the implicit references to the provision of OR in the existing Exemption"

The IESO would like to clarify that it has taken no view during this reconsideration process in regards to the scope of Gerdau's current exemption and practices. The reconsideration process is prospective in its application and the IESO has prepared the proposed terms and conditions of the reconsidered exemption exclusively with this prospective view in mind. Accordingly, the proposed terms and conditions should not be interpreted as supporting any view on the scope of Gerdau's current exemption or Gerdau's current or past participation in the energy/operating reserve market.

2. High-level feedback

- Typical Consumption Pattern
 - The IESO has updated the term 'normal consumption pattern' to 'typical consumption pattern'. This is to better reflect that this term is referring to the typical pattern of

consumption and remove any suggestion that deviating from this pattern is not 'normal'.

- The IESO has also incorporated a number of edits to change broad references to typical consumption pattern with more specific values (e.g. instead of a 10% deviation from any stage of a typical production cycle, section 12 and 16 now refer to continuous maximum dispatchable consumption).
 - The IESO does not believe the proposed exemption penalizes deviations from the Typical Consumption Pattern; it specifies certain requirements where those deviations are significant and action may be required to help maintain power system reliability.
- Annual review process
 - The Market Assessment and Compliance Division (MACD) is responsible for monitoring the market rules, and by extension, monitoring compliance with terms and conditions of market rules exemptions. The IESO believes that no additional monitoring is required to be included in the terms and conditions of the exemption.
 - HEC
 - Gerdau suggested that the HEC should be modified to exclude intervals of minimum consumption, the IESO's rationale for this approach can be found below in section 15.
 - Gerdau also suggested that much of Appendix 'A' is not required because, in part, bids/offers have to be updated to reflect expected operations and that these requirements were already in the market rules. 'Reflecting expected operations' is overly simplistic and many of the market rules being referred to would conflict with the terms of the Exemption, including the establishment and utilization of the HEC. The IESO therefore took the approach of including many of those provisions within the scope of the exemption and restating them within the exemption to ensure the same requirements apply but as modified to best align with the terms of the exemption.

3. Suggested removal/reconsideration

The June 10, 2022 version of the proposed Exemption had facility specific information redacted to ensure confidentiality. The IESO will share the proposed definition of Typical Consumption Pattern directly with Gerdau and seek comments and feedback from Gerdau prior to it being presented to the IESO Board for approval. The IESO is open to attaching supporting documentation and relevant data to support the proposed definition.

The IESO has proposed edits to the circumstances related to the timing of production to provide better certainty.

Regarding Gerdau's suggestion to use a bright-line test of minimum consumption for x intervals to trigger an obligation to notify the IESO, the IESO has updated section 8 to provide such a test.

4. Section 8

The IESO has proposed some edits to provide greater clarity in regards to when Gerdau is to notify the IESO and the method of such notification.

5. Section 12

The IESO updated section 11 to exclude those dispatch intervals in which Gerdau reduces its energy bids in accordance with this provision.

In regards to the suggestion that this provision work in both directions (lower and higher), the IESO would like decreases in available consumption capacity to be captured within the timeframe noted in section 12 and 16. Any material increases to Gerdau's continuous maximum dispatchable consumption should be addressed by revising the typical consumption pattern described in section 1d.

6. Section 14

In regards to the suggestion that the IESO should provide the calculations to Gerdau, it is the IESO's view that this responsibility should be Gerdau's. While the IESO appreciates that this proposed reconsidered exemption provides for a prescriptive manner of participation, in principle, it should remain the obligation of the market participant to participate in a manner which aligns with the market rules as modified by this exemption.

The IESO has proposed edits to specify the specific sections to which this provision is subject. The IESO believe this provides the additional clarity being sought.

7. Section 15

As stated above, this reconsideration process is prospective only and the IESO does not believe it is necessary to delve into matters relating to the interpretation of Gerdau's existing exemption.

The IESO staff recommendation is that the maximum amount of operating reserve (OR) that may be offered by Gerdau's dispatchable load will be determined by the hourly average dispatchable consumption during all settlement hours in which Gerdau submitted an offer for operating reserve during the applicable 6-month period. This is consistent with the sole current market rule [exemption](#) that speaks to how a batch load should offer operating reserve.

The market rules define OR as generation capacity, electricity storage capacity or load reduction capacity which can be called upon on short notice by the IESO to replace scheduled energy supply. A dispatchable load that is not consuming cannot provide the IESO with load reduction capacity.

Recognizing that the typical consumption pattern of batch loads includes a period of near-zero consumption for approximately 15 minutes each hour, it is appropriate that all periods of consumption, including the periods at near-zero consumption, are considered when determining the maximum operating reserve offer from each batch load facility. Such a calculation will result in the batch load receiving compensation from the OR market approximately equal to the amount it would have received if the IESO were able to schedule OR from the batch load equal to its exact load reduction capability available on a 5-minute basis over the course of the relevant settlement hour. At this time, the IESO's scheduling toolset does not provide this functionality, hence the need to define the maximum OR offer quantity in the manner described in the IESO staff recommendation.

Importantly, considering the average consumption inclusive of the near-zero intervals when determining the maximum OR offer will have positive impacts on the IESO's ability to maintain reliable operations of the IESO-controlled grid.

The IESO recognizes that by not re-starting its consumption process following a contingency a batch load can aid system reliability by staying at near-zero consumption at the direction of the IESO. However, the IESO's ability to direct batch loads' operations in such a manner relates to the batch loads' participation as a dispatchable load, not as a provider of operating reserve.

8. Section 17

To address the comments raised by Gerdau, the IESO has removed this provision and clarified section 6 to provide that the removal of offers shall apply as of the next dispatch hour.

9. Section 19(c)

This section has now been modified to provide that the settlement charge will apply when Gerdau is below 1MW consumption for a period of 25 consecutive dispatch intervals. This would provide Gerdau sufficient time to remove its OR Offers where it has been offline for a significant period of time.

In response to the suggestion that this represents a double-claw back of OR revenue, the IESO emphasizes that the Max OR Offer calculation and section 19(c) serve different purposes. The Max OR Offer calculation is intended to reflect the facility's typical capabilities based on actual consumption over a 6-month period, noting that bid/offer reductions related to decreases in consumption capacity are removed from this calculation. Section 19(c) intends to address reliability concerns by discouraging the scheduling of inaccessible OR when Gerdau has had sufficient opportunity to identify any issues and remove their OR offers. Gerdau has characterized this as a penalty; however, the IESO would view it as Gerdau no longer being exempt from the Charge when for over two hours it is not able to deliver operating reserve it has been paid to provide.

10. Conclusion

The IESO has also provided the final terms and conditions document which will be presented to the Exemption Review Panel on August 23. You may provide comments to the Panel based on the revised terms and conditions. Please provide those comments by August 12.