



IESO Staff Recommendation to Panel on Exemption Application (General)

All information submitted in this process will be used by the *IESO* solely in support of its obligations under the "Electricity Act, 1998", the "Ontario Energy Board Act, 1998", the "Market Rules" and associated policies, standards and procedures and its licence. All submitted information will be assigned the appropriate confidentiality level upon receipt.

Terms and acronyms used in this Form that are italicized have the meanings ascribed thereto in Chapter 11 of the "Market Rules".

PART 1 – GENERAL INFORMATION

Market Participant Name: Ontario Power Generation Inc.

Location/Site: Lennox

Exemption Application ID: 1337

Market Participant ID: 102200

Description of Exemption Requested: Definition of Minimum Loading Point

Date Exemption Application Received: March 10, 2011

Date all relevant application information supplied by exemption applicant: March 10, 2011

Management Approvals Obtained: Yes No

Are there any outstanding disputes, compliance actions, or pending market rule amendments involving the subject matter of this exemption application? Yes No

Are there any outstanding disputes, compliance actions, or pending market rule amendments involving the exemption applicant? Yes No

Section of the Exemption Application and Assessment Procedure under which the exemption application is made:

- Section 1.4.1 "Application for Exemption – General"

Market Rule(s) or related Market Manual(s) from which exemption is requested: Chapter 11: definition of minimum loading point

Third Party Submissions Received: Yes No

Supplemental Assessment Information Attached: Yes No

PART 1 – GENERAL INFORMATION

Related Historical <i>Exemption Application(s)</i> or Related <i>Exemption Application(s)</i> in Process: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Note: If YES, list History of <i>Exemption Applications</i> : Role of <i>exemption applicant</i> in the market as it relates to this <i>exemption application</i> : Generator

PART 2 – RECOMMENDATION

Recommendation: Grant the exemption so long as the facility's ability to manoeuvre from the gas support minimum continues.

Criteria Used in Assessment of General Exemption Applications (Section 1.4.2 of Exemption Application and Assessment Procedure):

(If X appears in a box, the criterion is applicable to this *exemption application* and is evaluated in Part 3 - Details of Assessment; if X does not appear in a box, the criterion is not applicable to this *exemption application*.)

Whether the *exemption* that is the subject-matter of the *exemption application* would, if granted, materially:

[None of the criteria in the section below are considered to have any material impact and, as such are not selected]

- impact the ability of the *IESO* to direct the operations and maintain the *reliability* of the *IESO-controlled grid*;
- impact the ability of the *IESO* to ensure non-discriminatory access to the *IESO-controlled grid*;
- affect the ability of the *IESO* to operate the *IESO-administered markets* in an efficient, competitive, and reliable manner;
- increase costs of *market participants*; or
- increase costs of the *IESO*;

Whether the *exemption* that is the subject-matter of the *exemption application* would, if granted, give the *exemption applicant* an undue preference in the *IESO-administered markets*;

Whether the cost or delay to the *exemption applicant* of complying with the obligation or standard to which the *exemption application* relates is reasonable, having regard to the nature of the obligation or

PART 2 – RECOMMENDATION

standard, the nature of the <i>exemption application</i> and the anticipated impact of non-compliance by the <i>exemption applicant</i> in terms of the elements referred to above;	<input type="checkbox"/>
The adequacy of the <i>exemption</i> plan submitted by the <i>exemption applicant</i> ;	<input type="checkbox"/>
Given the nature of the exemption application, there is no exemption plan submitted.	
Where the <i>exemption applicant</i> is the <i>IESO</i> , the identification of the benefit to <i>market participants</i> of compliance with the obligation or standard relative to the financial and other resources required to achieve compliance within such deadlines as may be applicable;	<input type="checkbox"/>
Where the <i>exemption applicant</i> is the <i>IESO</i> , the manner in which it proposes to operate in the <i>IESO-administered markets</i> or direct the operations and maintain the <i>reliability</i> of the <i>IESO-controlled grid</i> during the period in which the <i>exemption</i> would be in effect;	<input type="checkbox"/>
Whether the <i>facility</i> or equipment that is the subject-matter of the <i>exemption application</i> :	
• was in service or was returned to service on the date on which the obligation or standard to which the <i>exemption</i> application relates came into force;	<input type="checkbox"/>
• was ordered by the <i>exemption applicant</i> on or prior to the date on which the obligation or standard to which the <i>exemption application</i> relates came into force; or	<input type="checkbox"/>
• was in the process of construction on or prior to the date on which the obligation or standard to which the <i>exemption application</i> relates came into force; and	<input type="checkbox"/>
The capability of the owner of the <i>facility</i> to operate the <i>facility</i> consistent with the terms of the proposed <i>exemption</i> .	<input checked="" type="checkbox"/>
The facility is currently operating to the terms of the exemption.	

PART 3 – DETAILS OF ASSESSMENT

SUMMARY:

PART 3 – DETAILS OF ASSESSMENT**1. Exemption Request:**

Ontario Power Generation Inc. (OPG) is requesting an exemption from the market rules which requires that the minimum loading point (MLP) of a generator be based on the minimum output of energy specified by the market participant that can be produced by a generation facility under stable conditions without ignition support. Instead, OPG is requesting that its minimum loading point for Lennox be based on the minimum output of energy specified by the market participant that can be produced by a generation facility under stable conditions **with** ignition support. OPG has been operating to the lower MLP since OPG had to register its MLP for the Lennox facility.

Ignition support allows a facility to generate at an output lower than their operating minimum for a period of time. At the time this definition of MLP came in to force in the market rules, a facility could not operate on ignition support with stable combustion for their entire minimum run time. Lennox, however, is able to operate in this manner.

The request is for the exemption to be for the lifetime of the facility.

2. Market Rule Requirements:

Chapter 11 defines minimum loading point as the minimum output of energy specified by the market participant that can be produced by a generation facility under stable conditions without ignition support.

As a consequence, under the market rules Lennox would be operating and constrained to a minimum loading point of 125MW.

3. Background

Lennox G1, G2 and G4 are registered with a minimum loading point of 28MW and G3 is registered with a minimum loading point of 43MW. These minimum loading points do require ignition oil support regardless of primary fuel being utilized.

If OPG was to discontinue its practice of offering the lowest MLPs possible (taking into consideration both technical and environmental limitations), the minimum loads for Lennox units would be increased to approximately 125 MW.

ASSESSMENT:

While other generators that are on ignition support cannot move off of their minimum loading points, Lennox units are able to be dispatched while operating at this level.

PART 3 – DETAILS OF ASSESSMENT

From an operations perspective, a lower minimum loading point allows for dispatch flexibility, which is becoming more and more important with the increasing amounts of variable renewable energy. Lennox unit flexibility is limited under the current rule due to the fact that, unlike other non-quick start units that operate on gas support, the Lennox facility can ramp and be dispatched from its ignition support minimum to any other higher amount including levels below its unsupported minimum.

With its low minimum loading points, Lennox can continue to provide a large amount of capacity and ramping capability. Ramping capability is essential to reliable operations of the IESO controlled grid with the uncertainty around renewable generation.

Although the lower MLP value will result in more frequent scheduling of the Lennox unit, the overall guarantee payment (based on MW output) to the exempted Lennox facility should be lower, as it would be paid out on a lower MLP value. This, coupled with the added flexibility/ramp depth, provides the potential for more economic dispatch solutions relative to other alternatives.

There would be no undue preference towards OPG as, historically, Lennox is scheduled infrequently.

This exemption would be considered a positive change where a unit's maximum flexibilities are accommodated and reflected in guarantee programs that move to lower minimum loading points and run times.

RECOMMENDATION:

It is recommended that the exemption for OPG's Lennox facility be granted for the lifetime of the facility so long as the facility's ability to manoeuvre from the ignition support minimum continues or until such time the rules in this regard are altered addressing the issue brought forward by OPG.

PART 4 – TERMS AND CONDITIONS

Effective Date of Exemption (or event causing <i>exemption</i> to become effective)	The date when and if exemption is filed.
Date of Expiration of Exemption <ul style="list-style-type: none"> • If greater than 5 years, the Panel must be satisfied that the circumstances justify a later date. • Circumstances which will cause the <i>exemption</i> to immediately expire. 	End of life of the generation facility so long as the facility's ability to manoeuvre from the ignition support minimum continues.
Market Rule(s) or related Market Manual(s) from which the <i>Exemption</i> is granted.	Chapter 11 definition of Minimum Loading Point
Restrictions on the manner of operation and/or additional obligations to be met during the term of the Exemption, if any.	None
Monitoring Information Required Information required to be provided by the <i>exemption applicant</i> for monitoring by the <i>IESO</i> .	None
Payment of Costs <ul style="list-style-type: none"> • Processing Costs (when introduced) • Incremental <i>Exemption</i> Costs • <i>Settlement amounts</i> to be withheld or repaid. 	None
Reconsideration/Removal <ul style="list-style-type: none"> • Date on which the <i>exemption</i> will 	Not applicable

PART 4 – TERMS AND CONDITIONS

<p>be reconsidered (if applicable).</p> <ul style="list-style-type: none"> • Circumstances under which the <i>exemption</i> will be reconsidered (if applicable) other than unforeseen future change in circumstances. 	
<p>Transferability</p> <ul style="list-style-type: none"> • List the terms and conditions that need to be met to allow for a transfer of this <i>exemption</i> to be approved by <i>IESO</i> staff. 	None
<p>Other:</p>	None