

# Market Renewal FACT SHEET

## Make Whole Payments

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The single schedule market (SSM) is one initiative in the Market Renewal's Energy work stream. The IESO currently uses a two schedule market that includes make whole payments. While many of payments would be eliminated in a SSM, there would still be situations where make whole payments are required.

### What are make whole payments?

Make whole payments are made to market participants (also known as resource owners or generators) when they face a shortfall between their resource's offer price and the revenue earned through market clearing prices.

Ideally, market prices would fully compensate all resources for the variable cost of providing energy. In reality, market outcomes are impacted by a number of technical and operational limitations that may not be foreseen or modeled sufficiently in the software used to clear the market. For example, system operators may have to manually dispatch or re-dispatch resources to maintain system reliability. All energy markets include make whole payments.

In the IESO, these payments currently exist as Congestion Management Settlement Credits (CMSCs), Production Cost Guarantees (PCGs), and other cost guarantees. These payments are driven by the disconnect between the market price and the system dispatch in the two schedule market.

Because single schedule markets better align pricing and dispatch, the total cost of make whole payments can be expected to significantly decrease with the move to a SSM. Regardless, the following are instances in a single schedule market that can result in make whole payments.

- Operating restrictions on minimum loads
- Multi-interval optimization of resources in advance of future intervals
- Administration of the market following issues with the solution software

## **Why is it important?**

Make whole payments ensure that market participants do not lose money due to non-market requirements imposed by the IESO to maintain reliability. Market participants could be ineligible for make whole payments if they choose to deviate their operation from dispatch instructions.

In a SSM the majority of cleared resources will not receive make whole payments on any given day. However, it is important to have a market mechanism to account for those resources that are dispatched outside of their cleared values. Make whole payments allow the market to compensate such participants appropriately and must be carefully designed as part of the move to the single schedule market. Without such a mechanism, market participants would be penalized for IESO actions that are needed to meet the primary goal of system reliability. This would incentivize market participants to avoid the actions needed to keep the system operating.

## **More information**

For more information, please see the Market Renewal Fact Sheets on Out-of-Market Operator Actions (#10), Price Setting Eligibility (#12) and Multi-Interval Optimization (#11).