

Memorandum

To: Technical Panel
From: Jo Chung
Date: August 8, 2018
Re: MR-00420: Capacity Exports

Attached for Technical Panel review and consideration are the following documents:

- Presentation slide deck;
- Written Submission from Ontario Power Generation (OPG);
- Market rule amendment proposal MR-00420-R00 Capacity Exports in the IESO-Administered Markets;
- Market rule amendment proposal MR-00420-R01 Capacity Exports and Settlements;
- Market rule amendment proposal MR-00420-R02 Capacity Exports and Transmitter Outages.

The IESO proposes to amend the market rules to codify a framework for Ontario-based resources to export capacity, as approved by the IESO.

Further information can be found on the [Capacity Exports](#) stakeholder engagement webpage.

At its meeting on June 26th, the Technical Panel agreed to post MR-00420-R00-R02 for stakeholder review and comment for a period of two weeks, ending July 12, 2018. The IESO received one written submission during the posting period. A summary of the written submission and IESO response is provided below.

Since the June 26th Panel meeting, the IESO has continued to have discussions with stakeholders on the details related to the proposed amendments which would allow the IESO to reject or revoke planned outages in limited circumstances.

The only change to the amendment proposals is in MR-00420-R01 – Settlements. Within proposed sections 4.7B.4A and 4.7D.9 (real-time and day-ahead generation cost guarantees), language has been added to clarify that the IESO may withhold or recover real-time and day-ahead generation cost guarantees for called capacity exports, and distribute any recovered payments to market participants in accordance with section 4.8.2 of Chapter 9 (changes highlighted in yellow). There have been no other changes to the amendment proposals since the previous version reviewed at the June 26th Panel meeting.

OPG Comment

OPG disagrees with the IESO decision to not allow congestion management settlement credit (CMSC) for constraints applied to Called Capacity Exports and has proposed that a capacity exporter should be entitled to partial CMSC, citing an existing example of partial CMSC payments in the Market Rules (Ch. 9, S 3.5.6A).

IESO Response

The IESO does not believe that any CMSC should apply to Called Capacity Export transactions because such transactions are different from regular export transactions. The purpose of CMSC is to keep market participants whole by compensating them in certain circumstances where they are scheduled in such a way that they lose operating profit due to a difference between the bid price and the market clearing price.

A capacity exporter must bid at the prescribed price (maximum market clearing price) in order to receive curtailment treatment as a Called Capacity Export. By choosing to export capacity, the exporter is accepting the commitment that it has made to the external jurisdiction to deliver energy when required regardless of whether the called export transaction itself is economic. Therefore, compensation for lost operating profit (through CMSC) is not appropriate for such transactions. Called Capacity Export transactions are similar to linked wheel-through transactions in that the export must be bid at a prescribed price in order to avoid being curtailed except under certain circumstances (see March 6, 2018 TP meeting [Capacity Exports Information Item](#) for more information on Called Capacity Exports). Linked wheels also do not receive CMSC (refer to Ch. 9, section 3.5.8).

OPG sites an existing example of partial payments in the Market Rules (Ch. 9, section 3.5.6A). This provision applies to regular export transactions in order to limit CMSC when exports are bid at negative prices and are subsequently constrained on. This concept is also not relevant to Called Capacity Exports, as the latter are not regular export transactions.

Panel Action and Next Steps

The IESO recommends that the Technical Panel vote to recommend MR-00420-R00-R02 to the IESO Board for consideration at its August 29, 2018 meeting. The recommended effective date is expected to be in November 2018, upon implementation of the required market manual changes. The IESO will specify the effective date in a notice to all market participants.

Yours truly,

Jo Chung

Attach.