

The IESO hosted a public information session on Tuesday, March 24th to inform interested participants of a market manual update to the Day Ahead Market (DAM) initialization approach for Non-Quick Start (NQS) resources crossing midnight.

This update improves DAM modelling accuracy by correcting the misalignment between DAM initialization assumptions and actual real-time operating states in over 95% of hours, delivering overall benefits to the market with limited and manageable edge-case impacts.

During the session, a concern was raised that the change to the DAM initialization approach may result in a resource being scheduled for DAM HE1 while not being online in real-time (RT) during HE1. This situation, referred to as a “stranded DAM schedule” would require the resource to buy back their DAM position.

Assessment of this potential outcome shows that stranded DAM schedules related to this change are infrequent, occurring in less than 5% of NQS resources’ operating hours. When they do occur, their net financial impacts would be at least neutral to favourable and do not have a material impact on overall settlement outcomes.

Recap of Current State:

Under the current approach, NQS resources crossing midnight with a schedule but no commitment, are assumed to be offline in HE1, even though they are online more than 95% of the time. This incorrect assumption forces the DAM to include Start-Up Costs (SUC) when assessing these resources. As a result, the DAM often avoids scheduling resources that are already online and instead commits other, higher-cost supply, which is inefficient, particularly in the early morning hours. Meanwhile, the resources remain physically online and scheduled by the Pre-Dispatch (PD) engine and in real-time (RT). The DAM’s incorrect assumption results in a misalignment between the DAM and RT market outcomes.

Recap of Change:

By initializing DAM using HE24 PD schedules that are produced at 9:10 in the day-ahead timeframe, NQS resource schedules are more representative of a resource’s online status in DAM HE1. This allows the DAM to evaluate resources solely on energy and speed no-load (SNL) offers, and not include start-up costs (SUC), to determine financially binding DAM schedules consistent with their physical status.

The assumed market status better aligns with physical reality, leading to more efficient DAM outcomes and increased financial certainty for market participants. This approach to is reflective of the operating state of NQS resources over 95% of the time.

Assessment of Stranded DAM Schedule Occurrences and Settlement Impacts

The IESO's assessment of historical outcomes indicates that actual HE24 output differs and does not match the PD HE24 schedule for less than 5% of NQS resource operating hours. In these situations, if the resource has a DAM HE1 schedule there would be a buyback requirement for HE1 and subsequent hours.

Buying back their DAM position could result in a two-settlement gain if the RT price is lower than the DAM price for that hour, or a two-settlement loss if the RT price is higher than the DAM price for that hour.

Within this 5% of occurrences, the net outcome would be favourable, with approximately 80% resulting in a two-settlement gain. Therefore, overall financial impact would be positive with the change implemented.

The likelihood and potential impact of this outcome are further mitigated by the following considerations:

- Both DAM HE1 and PD HE24 schedules are determined by participant-submitted offers, which are within the participant's control and established well in advance of the operating hour. The HE24 PD run used by the DAM occurs approximately 14 hours prior to delivery, providing participants the opportunity to adjust their offers.
- In practice, the HE24 PD schedule is often a continuation of an existing commitment with a very low likelihood of it being removed in subsequent PD hours.

Next Steps:

The proposed changes improve DAM outcomes by better aligning how NQS resource operating states are represented at initialization. There are no additional obligations or requirements introduced. Market Manual 4.2 updates have been posted for comments through the [IESO's Baseline process](#).

Summary:

In summary, this amendment will update an underlying DAM assumption to better reflect how resources are operating in practice. While it does not cover a small number of limited

cases, the overall benefits of improved accuracy of representing NQS operating states and better aligned DA and RT market outcomes merit the change.

Through the IESO's Baseline process, sector participants are encouraged to review the document and provide comments and practical suggestions that can further improve how resources are represented in the DAM.