

MAY 22 2024

Interchange schedule code: MrNH

IESO May Stakeholder Engagement Session

Agenda

1. Introduction
2. What are interchange schedule codes?
3. Review identified issues with MrNH code
4. Review proposed change to MrNH code

What are Interchange Schedule Codes?

- When scheduled interchange transactions differ from actual real-time flow, specific codes are used to identify the reason for these discrepancies.
- These codes categorize intertie transaction failures and curtailments based on specific reasons which then drive settlement outcomes.

Intertie Failures

DSO* determines intertie transactions MW amounts for next hour

Intertie transactions amounts are fixed in real time

Hour-ahead Pre-dispatch

Real time hour

- Difference between hour-ahead pre-dispatch scheduled interchange transaction flows and real-time flows is considered an interchange transaction failure.
- Interchange transactions fail to flow for a variety of reasons.

* Dispatch Scheduling and Optimization

Application of Failure Charges

- Intertie transactions that fail for reasons within the control of the market participant are not exempt from failure charges.
- Intertie transactions that fail for reasons outside the control of the market participant or due to the actions of IESO or other jurisdictions are exempt from settlement charges.
- Market Manual 4.3 further outlines specific reasons, supported by Market Rules, which the IESO has determined to by default to be bona fide and legitimate.

Market Rules Chapter 7.5.8B ¹

Failed transactions will incur a failure charge "...other than for bona fide and legitimate reasons as determined by the IESO. Bona fide and legitimate reasons shall include failures caused by actions and circumstances beyond the control of the market participant or due to IESO or external scheduling entity error or action, including those reasons specified in the applicable market manual."

[1. Market Rule Chapter 7 System Operations and Physical Markets](#)

Market Manual 4: Interchange schedule codes

In Market Manual Part 4.3: Real-Time Scheduling of the Physical Markets, Table 6-1: Application of Interchange Schedule Codes shows the following codes and associated treatments.

These codes categorize intertie transaction failures and curtailments based on specific reasons which then drive appropriate settlement outcomes.

Shown here is the array of codes and how failure charges are applied.

| Code | DA intertie failure charge | RT intertie failure charge |
|------|----------------------------|----------------------------|
| OTH | Yes | Yes |
| TLRe | No | No |
| TLRi | No | No |
| ORA | No | No |
| MrNH | Yes (import only) | No |
| ADQh | No | No |
| NY90 | No | No |

MrNH Code (MISO Ramp/New York HAM)

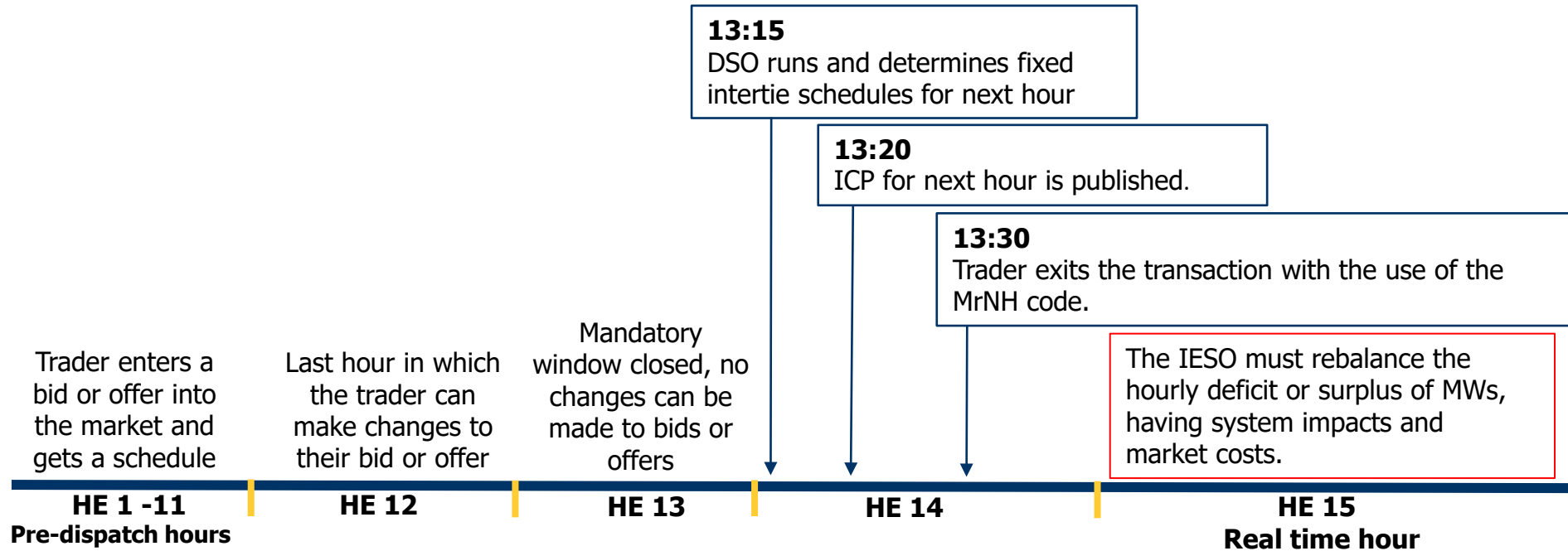
As described in Market Manual 4.3, MrNH is currently applied to intertie transactions that fail due to three specific reasons:

1. Inability of market participant to acquire transmission service from MISO,
2. Inability of market participant to acquire ramp capacity from MISO,
3. Inability of market participant to be scheduled in NYISO Hour Ahead Market (HAM).

MrNH failures are currently only subject to Day-Ahead (DA) Intertie Failure Charges on imports and are exempt from all other charges.

MrNH Timeline Example

This example outlines a timeline of how MrNH is typically applied.



Issues identified with MrNH

- The preview of intertie congestion price (ICP) combined with the absence of financial penalty does not create the right incentives.
 - Preview of ICP provides information of potential real time spread.
 - This may provide incentive to purposely fail the transactions when financially advantageous to do so.
- Failed intertie transactions through MrNH are being charged to Ontario ratepayers through an uplift.

MrNH Import Example

13:15

DSO runs and determines 100 MW fixed import schedule for next hour

13:20

ICP for next hour is published.

13:30

Trader exits the transaction with the use of the MrNH code

The missing 100 MW of imports is now a **deficit** of 100 MW in Ontario

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- **System impact:** The IESO may have to constrain on generation to adjust for the unexpected deficit.
- **Inefficient scheduling:** Failed transaction may have displaced a transaction that would have otherwise flowed.

Ratepayers

- Resulting actions may increase in market costs though **uplifts or higher prices.**
- Unfunded congestion in the Transmission Rights (TR) clearing account.

Trader

- **No financial penalty** impact.
- May have contributed to congestion but is not impacted by it as the import did not flow in RT.

HE 14

HE 15: Real-time hour

MrNH Export Example

13:15

DSO runs and determines 100 MW fixed export schedule for next hour.

13:20

ICP for next hour is published.

13:30

Trader exits the transaction with the use of the MrNH code.

The missing 100 MW of export is now a **surplus** of 100 MW in Ontario

HE 14

HE 15: Real-time hour

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- **System Impact:** The IESO must constrain-off generation or imports to adjust for the unexpected surplus, potentially impacting baseload generation during low demand periods.
- **Inefficient scheduling:** Failed transaction may have displaced a more economic transaction that would have otherwise flowed.

Ratepayers

- Resulting actions may increase in market costs though **uplifts**.
- Unfunded congestion in the Transmission Rights (TR) clearing account
- **Forgone energy** of constrained-off generation is paid for by the ratepayer through global adjustment.

Trader

- **No financial penalty** impact.
- May have contributed to congestion but does not pay its share as it did not flow in RT.

Summary of Impacts

- Failures cause system impacts and market inefficiency.
- Ratepayers are shouldering the financial impact of failures when traders delay cancellation until the final moments, despite their earlier awareness of ramp and transmission status.
- Post MRP, these issues of market inefficiency, system impacts, and uncompensated cost of congestion persist and can potentially be amplified.
- Financial incentives to intentionally fail will become more significant with the introduction of the Day-Ahead Market.

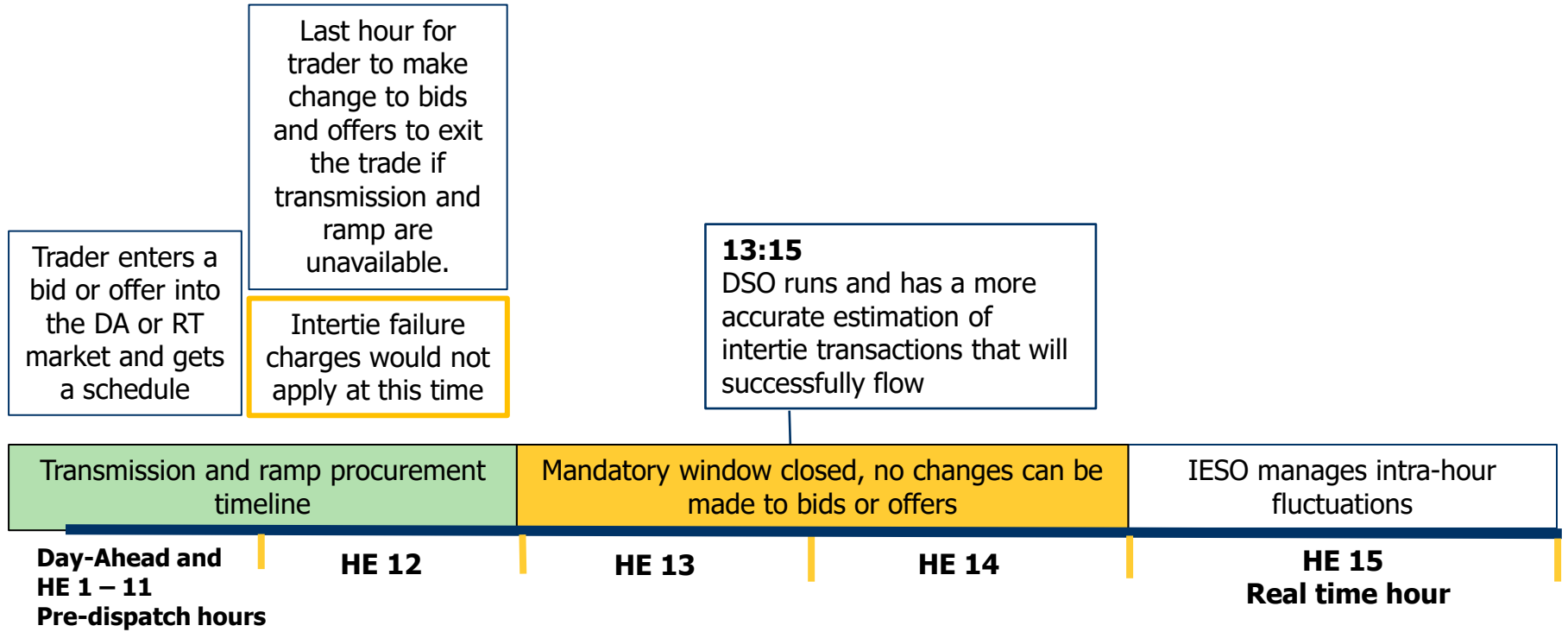
Proposed change – Re-code MrNH failures

- Intertie failures due to the lack of MISO transmission or ramp will be recoded as OTH.
- Market participants will be subject to an intertie failure charge if unable to acquire ramp or transmission service from MISO **prior to 30 minutes** before the dispatch hour.

Rationale for change

- Charging the IFC is consistent with the practice of other jurisdictions due the failure of acquiring ramp and transmission.
- Greater likelihood of more operationally feasible schedules.
- Acquiring ramp and transmission and navigating through the market is the market participant's responsibility.
- Discourages market participants from failing transactions at the last minute by applying a financial charge.
- Any failed transactions are charged back to the market participant responsible for the failed transaction instead of being charged to ratepayers through an uplift.
- This is an issue that exists today and would carry through in MRP. That is why we are addressing it now.

Optimal Scheduling with Proposed Change



Feedback and Next Steps

- The IESO is seeking stakeholder feedback on the proposed change.
- Market Manual amendments will be applied to an upcoming baseline
 - Participants will be notified via IESO Bulletin and on Engagement page.
 - Amendments will be posted for review and feedback.

Thank You

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