



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: Gerdau Ameristeel Corporation ("Gerdau")

Location/Site: Whitby, ON / GERDAUWBY-LT.T3_LF ("Gerdau Whitby's *Dispatchable Load*") (Gerdau Whitby Customer Transformer Station)

Exemption Application ID: 1304

Description of *Exemption Amendment* Requested:

This application is for administrative amendments to the existing *exemption* #1304, granted on November 27, 2024, to align it with the *renewed market rules* implemented by the Market Renewal Program ("MRP").

Date *Exemption Amendment* Application Received: March 13, 2025

Date all relevant application information supplied by *exemption amendment applicant*: March 13, 2025

Management Approvals Obtained: Yes ☐

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

Section 4.2 "Amendment of an *Exemption*"

PART 1 – GENERAL INFORMATION

Market Rule(s) or related Market Manual(s) from which *exemption* is requested:

Chapter 0.5, Appendix 5.1, s. 1.2.1

Chapter 0.5, Appendix 5.1, s. 1.2.4

Chapter 0.7 Section 2.1.2

Chapter 0.7 Section 3.3.8

Chapter 0.7 Section 7.4.1

Chapter 0.7 Sections 7.4.2 and 7.4.2.1

Chapter 0.7 Section 7.5.1

Chapter 0.7 Section 7.5.2

Chapter 0.9 Section 3.10.8

Chapter 0.9 Section 3.10.17

Third Party Submissions Received: ☐ No ☒

Supplemental Assessment Information Attached: ☒ Yes

Related Historical *Exemption Application(s)* or Related *Exemption Application(s)* in Process: ☒ Yes ☐

If yes, list history of *exemption applications*

1. The original *exemption* for Gerdau Ameristeel Corporation ("Gerdau") was approved on December 16, 2004, (the "Original *Exemption*").
2. The original *exemption* was amended through the *exemption* reconsideration process, and the Reconsidered *exemption* was approved on November 27, 2024 (the "Reconsidered *Exemption*"). The Reconsidered *Exemption* addressed the *IESO's* implementation of the *operating reserve* non-accessibility *settlement amount* and outlines how Gerdau is to participate in the *energy* and *operating reserve (OR)* markets.

Related *Exemptions*: There are two other similar *exemptions* for two other *market participants* pertaining to how *dispatchable loads* with electric arc furnaces are to participate in the *energy* and *OR* markets (*exemptions* #1308, 1164). The *IESO* has also received applications to amend these two other *exemptions* to ensure alignment with the *renewed market rules* implemented by the Market Renewal Program.

PART 1 – GENERAL INFORMATION

Role of *exemption applicant* in the market as it relates to this *exemption application*:
Dispatchable Load

PART 2 – RECOMMENDATION

Recommendation:

This application is for administrative amendments to the Reconsidered *Exemption* (#1304) to align it with the renewed *market rules* implemented by the Market Renewal Program (“MRP”).

The *exemption applicant’s* circumstances have not changed since the Exemption Panel approved the Reconsidered *Exemption* on November 27, 2024.

Similarly, *IESO* staff assessment of the criteria used in the assessment of *Exemptions*, and listed below, has not changed since the Exemption Panel approved the Reconsidered *Exemption*.

IESO staff recommends that Gerdau Ameristeel Corporation’s (“Gerdau”) application to amend its *exemption* to align with the *renewed market rules* be granted with the Terms and Conditions listed in Part 4 and the updated Operating Parameters in Appendix A.

The proposed amendments are minor changes to the Reconsidered *Exemption’s* Terms and Conditions, to (i) update the specific section references to the *market rules* from which the *exemption* is granted, and (ii) to include an additional *settlement amount* created by MRP.

The update to specific section references is required because (i) the *operating reserve* non-accessibility charge, to which the Reconsidered *Exemption* applies, was moved to a new location in Chapter 0.9 and (ii) the sequence of some sections within each chapter of the *renewed market rules* have changed.

The inclusion of the Real-Time Make-Whole Payment Reversal Charge *Settlement Amount* is required to capture a new *settlement amount* created by MRP that functions in the same manner as the *operating reserve* non-accessibility charge (i.e. it claws back revenue received for OR that is determined not to be accessible).

Given the administrative nature of the amendments and the absence of impact on any of the *exemption* assessment criteria, *IESO* staff is of the view that third party submissions are not required.

PART 2 – RECOMMENDATION

Criteria Used in Assessment of Exemption Applications (Section 3.2.4 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:

[IESO Staff comment: The proposed *exemption* amendments do not change the nature of the *exemption* therefore this section of Part 2 is not applicable. The assessment of the criteria remains unchanged from the Reconsidered *Exemption* granted on November 27, 2024. The boxes below have not been checked for this reason.]

- 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*; ☐

PART 2 – RECOMMENDATION

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 standard, the nature of the *exemption application* and the anticipated impact of non-compliance by the *exemption applicant* in terms of the elements referred to above; ☐

The adequacy of the *exemption* plan submitted by the *exemption applicant*; ☐

Where the *exemption applicant* is the *IESO*, the identification of the benefit to *market participants* 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; ☐

Where the *exemption applicant* is the *IESO*, the manner in which it proposes to operate in the *IESO -administered markets* or direct the operations and maintain the *reliability* of the *IESO controlled- grid* during the period in which the *exemption* would be in effect; ☐

Whether the *facility* or equipment that is the subject-matter of the *exemption application*:

- was in service or was returned to service on the date on which the obligation or standard to which the *exemption* application relates came into force; ☐
- was ordered by the *exemption applicant* on or prior to the date on which the obligation or standard to which the *exemption application* relates came into force; or ☐

PART 2 – RECOMMENDATION

- was in the process of construction on or prior to the date on which the obligation or standard to which the *exemption application* relates came into force; and

☐

The capability of the owner of the *facility* to operate the *facility* consistent with the terms of the proposed *exemption*.

☐

PART 3 – DETAILS OF ASSESSMENT

Amendments to update market rule section references:

As a result of the *renewed market rules* implemented by the Market Renewal Program ("MRP"), the sequence of some sections within each chapter of the *market rules* have changed. The table below lists the *renewed market rule* section numbering as it relates to the exempt *market rules* in the existing Reconsidered *Exemption*.

The sections in App. 5.1 and Chapter 0.7 have not changed.

In Chapter 0.9, the applicable section prescribing the *Operating Reserve* Non-Accessibility Charge was moved to s. 3.10.8 in the *renewed market rules* from s. 3.4.2 in the *legacy market rules*. Pursuant to the terms of the Reconsidered *Exemption*, the *market participant* is currently exempt from the *Operating Reserve* Non-Accessibility charge and their *exemption* should be amended to reflect this new section reference.

Amendment to reflect the introduction of Real-Time Make-Whole Payments:

With the introduction of Real-Time Make-Whole Payments as part of MRP, also introduced was the Real-Time Make-Whole Payment Reversal Charge *Settlement Amount* in Chapter 0.9 Section. 3.10.17 (the "Real-Time Make-Whole Payment Reversal Charge"), which reverses real-time make whole payments received for *operating reserve* that was determined not to be accessible. Inaccessible *operating reserve* is scheduled *operating reserve* which if activated, the resource would not be able to deliver. *IESO* staff recommends that Gerdau Ameristeel Corporation ("Gerdau") also be exempt from this *market rule* in Chapter.0.9 Section.3.10.17 to ensure alignment with the nature of its existing Reconsidered *Exemption*.

The Real-Time Make-Whole Payment Reversal Charge is a charge that reverses real-time make whole payments received by *market participants* for *operating reserve* ("OR") that was determined to be inaccessible. The rationale for originally exempting Gerdau from the *operating reserve* non-accessibility charge, subject to the terms of their Reconsidered *Exemption*, apply equally to the Real-Time Make-Whole Payment Reversal Charge; the determination of whether Gerdau is available to provide *operating reserve* should be understood in the context of its *exemption*, which recognizes that at times Gerdau will be provide more *operating reserve* and at times less, with its average over the hour being the amount for which it is compensated.

PART 3 – DETAILS OF ASSESSMENT

<p>The proposed amendments treat the Real-Time Make-Whole Payment Reversal Charge in the same manner as the <i>Operating Reserve</i> Non-Accessibility charge. Specifically, the terms and conditions dictate that if Gerdau does not comply with the terms of its <i>exemption</i>, then it will be subject to both the Real-Time Make-Whole Payment Reversal Charge and the <i>Operating Reserve</i> Non-Accessibility charge.</p> <p>While the IESO recommends the addition of a new settlement amount to Gerdau’s <i>exemption</i>, this represents a change in how these amounts are treated under the <i>renewed market rules</i> rather than a substantive change to the overall treatment of Gerdau. Under the <i>legacy market rules</i> (i.e. the <i>market rules</i> that existed prior to the MRP <i>market rule amendments</i>), the amounts that are now the subject of the new Real-Time Make-Whole Payment Reversal Charge would have been compensated and reversed through congestion management settlement credits (“CMSC”) with the ability for the Market Assessment and Compliance Division to clawback any unearned CMSC amounts through Chapter.9 Section. 3.8.1. The application of Section 3.8.1 depended on whether Gerdau was in a position to be able to respond to any dispatch instructions, the relevant provisions of which are explicitly addressed in the existing <i>exemption</i>. Therefore, the reversal process for these amounts indirectly connects to the terms of the <i>exemption</i> and the manner in which Gerdau Ameristeel Corporation (“Gerdau”) is expected to operate in accordance with its <i>exemption</i>. Under the <i>renewed market rules</i>, the Real-Time Make-Whole Payment Reversal Charge is not triggered by a reference to compliance with dispatch but rather through the same numerical assessments that inform the determination of the Operating Reserve Accessibility Charge. Therefore, in order to maintain this same treatment, the <i>exemption</i> needs to be updated to treat the Real-Time Make-Whole Payment Reversal Charge in the same manner as the Operating Reserve Accessibility Charge in order to ensure consistent treatment. Overall, these changes represent the same substantive treatment with improvements in efficiency and clarity.</p>		
Legacy <i>Market Rules</i> Chapters and Sections Included in the	Description	MRP <i>Market Rules</i> Set Included in the Amended

PART 3 – DETAILS OF ASSESSMENT

Existing Reconsidered Exemption			
Appendix 5.1 – Section 1.2.1	Performance Standards for Ancillary Services – Operating Reserve Ten-Minute	No change in Chapters and Sections.	
Appendix 5.1 – Section 1.2.4	Performance Standards for Ancillary Services – Operating Reserve Thirty-Minute		
Chapter 7 – Section 2.1.2	Requirements for Operating on the Grid		
Chapter 7 – Section 3.3.8	Obligation to Revise Dispatch Data		
Chapter 7 – Section 7.4.1	IESO Dispatch of OR		
Chapter 7 – Section 7.4.2 and 7.4.2.1	IESO Dispatch of OR		
Chapter 7 – Section 7.5.1	Compliance with Dispatch Instructions		
Chapter 7 – Section 7.5.2	Compliance with Dispatch Instructions		
Chapter 9 – Section 3.4.2	Hourly Settlement Amounts for Operating Reserve and Charges	Moved to Chapter 0.9 – Section. 3.10.8.	
New addition for MRP	n/a	Chapter 0.9 – s. 3.10.17: Real-Time Make-Whole	

PART 3 – DETAILS OF ASSESSMENT

		<p>Payment Reversal Charge for <i>Dispatchable Loads</i>.</p> <p>With the introduction of Real-Time Make-Whole Payments, there was also the introduction of the Real-Time Make-Whole Payment Reversal Charge to account for real-time make-whole payments issued in respect of inaccessible OR.</p>
<p>The <i>IESO</i> is recommending the Exemption Panel approve the amendments to the Reconsidered <i>Exemption</i> outlined in Part 4 and the updated Operating Parameters in Appendix A, which can be summarized as follows:</p> <ul style="list-style-type: none"> • updating the definition of “Charge” to include Real-Time Make-Whole Payment Reversal Charge for <i>Dispatchable Loads</i>; • updating section numbering to align with MRP set of rules; • updating wording to include references to <i>day-ahead market</i> where necessary; • changing the term “registered <i>facility</i>” to “<i>resource</i>”. <p>See the attached appendix in tracked changes reflecting the wording changes.</p>		

PART 4 – TERMS AND CONDITIONS

Effective Date of Exemption (or event causing <i>exemption</i> to become effective)	May 1, 2025
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. 	<i>Exemption</i> will be effective until: <ul style="list-style-type: none"> Gerdau Ameristeel Corporation (“Gerdau”) Whitby <i>dispatchable load</i> registration status changes to be non-dispatchable Gerdau’s <i>dispatchable load</i> ceases utilizing an electric arc furnace in its operations <i>IESO</i> implements necessary tool and/or <i>market rule</i> changes, as applicable, such that the <i>IESO</i> determines the <i>exemption</i> is no longer required
Market Rule(s) or related Market Manual(s) from which the <i>Exemption</i> is granted.	MR Ch.5 App.5.1 s.1.2.1 MR Ch.5 App.5.1 s.1.2.4 MR Ch.7 s.2.1.2 MR Ch.7 s.3.3.8 MR Ch.7 s.7.4.1 MR Ch.7 s.7.4.2 MR Ch.7 s.7.4.2.1 MR Ch.7 s.7.5.1 MR Ch.7 s.7.5.2 MR Ch.9 s.3.10.8 MR Ch.9 s.3.10.17 Until such time as the IESO eliminates the zero series chapters, the above references will be understood to refer to the renewed market rules.
Restrictions on the manner of operation and/or	See Appendix A.

PART 4 – TERMS AND CONDITIONS

additional obligations to be met during the term of the Exemption, if any.	
Monitoring Information Required Information required to be provided by the <i>exemption applicant</i> for monitoring by the <i>IESO</i> .	N/A
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. 	N/A
Reconsideration/Removal <ul style="list-style-type: none"> • Date on which the <i>exemption</i> will be reconsidered (if applicable). • Circumstances under which the <i>exemption</i> will be reconsidered (if applicable) other than unforeseen future change in circumstances. 	The <i>exemption</i> may be reconsidered, at the sole discretion of the <i>IESO</i> , if: <ul style="list-style-type: none"> • the <i>dispatchable</i> consumption of Gerdau Ameristeel Corporation's ("Gerdau") <i>dispatchable load</i> deviates significantly from its Typical Consumption Pattern, including in the following circumstances: <ul style="list-style-type: none"> ○ the peak <i>dispatchable</i> consumption of Gerdau's <i>dispatchable load</i> exceeds [REDACTED] in 10% or more of peak <i>dispatch intervals</i> over any consecutive 6-month period, where peak <i>dispatch intervals</i> refers to the <i>dispatch interval</i> within each <i>settlement hour</i> during business hours where Gerdau's <i>dispatchable load's</i> consumption is the greatest.

PART 4 – TERMS AND CONDITIONS

	<ul style="list-style-type: none"> ○ on average over any 6-month period, the production cycle of Gerdau's <i>dispatchable load</i> has 4 or more <i>dispatch intervals</i> of less than 1MW <i>dispatchable</i> consumption than described in its Typical Consumption Pattern, as determined by the <i>IESO</i> • the <i>IESO</i> determines that allowing Gerdau to continue to operate as specified in this <i>exemption</i> would have a detrimental impact on the <i>IESO's</i> ability to maintain the reliability of the <i>IESO-controlled grid</i> • the <i>IESO</i> implements any <i>market rule</i> amendment which impacts this <i>exemption</i>
Transferability <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
Other:	<i>Exemption</i> only applies to Gerdau Ameristeel Corporation's <i>dispatchable load</i> .