Market Rule Amendment Proposal

PART 1 – MARKET RULE INFORMATION

Identification No.:	MR-00385-R00			
Subject:	Generation Cost Guarantees			
Title:	Real-Time Generation Cost Guarantee – Revisions to Eligibility and Cost Submissions			
Nature of Proposal:	☒ Alteration	☐ Deletion	☐ Addition	
Chapter:	7, 9	Appendix:		
Sections:	Ch 7 section 5.7, Ch 9 section 4.7B			
Sub-sections proposed for amending:	Ch 7 sec. 5.7.1.2, 5.7.1.3, 5.7.1.4, 5.7.2; Ch 9 sec. 4.7B.1			

PART 2 – PROPOSAL HISTORY

Version	Reason for Issuing	Version Date
1.0	Draft for Technical Panel review	October 11, 2011
2.0	Draft for Technical Panel review	November 22, 2011
3.0	Publish for Stakeholder Review and Comment	December 1, 2011
4.0	Submitted for Technical Panel Vote	January 10, 2012
5.0	Recommended by Technical Panel; Submitted for IESO Board Approval	January 17, 2012
6.0	Approved by IESO Board	February 16, 2012

Approved Amendment Publication Date:	February 16, 2012
Approved Amendment Effective Date:	March 9, 2012

PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

Provide a brief description of the following:

- The reason for the proposed amendment and the impact on the *IESO-administered markets* if the amendment is not made.
- Alternative solutions considered.
- The proposed amendment, how the amendment addresses the above reason and impact of the proposed amendment on the *IESO-administered markets*.

Summary

The IESO proposes to amend the market rules to exclude schedules resulting from constraints applied by the IESO (manual constraints applied at the request of a generator or constraints associated with a day-ahead schedule of record) from the eligibility test for a real-time generation cost guarantee (RT-GCG).

In addition, the IESO proposes to amend the market rules to modify the RT-GCG offer price requirement such that the day-ahead offer price corresponding to the minimum loading point for hours which include constraints associated with a day-ahead schedule of record will be excluded from the offer price test for the RT-GCG. This proposed amendment applies to hours in which the RT-GCG claim overlaps onto hours with constraints associated with a day-ahead schedule of record. For hours with manual constraints applied by the IESO, the offer price corresponding to the minimum loading point must be the same across all hours of the minimum generation block run-time consistent with current practice.

Furthermore, the IESO proposes to amend the market rules to deem RT-GCG start up costs as zero where a generator is eligible for a RT-GCG and day-ahead production cost guarantee (DA-PCG) attributable to a single start-up event, and where start-up costs are eligible under the DA-PCG.

With the implementation of the Enhanced Day-Ahead Commitment process (EDAC), this proposal will clarify a generator's eligibility for a cost guarantee in scenarios where the scheduling of a RT-GCG and day-ahead commitment overlap, and prevent a generator from being paid start-up costs twice for a single start-up.

Background

Refer to MR-00385-Q00.

Discussion

Schedules Resulting From Constraints Excluded From RT-GCG Eligibility Test

Chapter 7, section 5.7 of the market rules provides the pre-dispatch scheduling conditions which must be met for a generator to be eligible for a RT-GCG.

Clarification to the market rules is required in scenarios where the scheduling of a RT-GCG overlaps onto constraints associated with a day-ahead schedule of record (day-ahead commitment), or where a manual constraint applied by the IESO at the request of the generator appears in the pre-dispatch schedule used to validate a RT-GCG claim. It is proposed to amend section 5.7.1.3:

- To specify that any schedules resulting from a constraint associated with a day-ahead schedule of record (day-ahead commitment) or a manual constraint applied by the IESO at the request of a generator will be excluded from the eligibility test in section 5.7.1.3b.

PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

Section 5.7.1.3b of the market rules provides that a facility must be scheduled for at least half of the minimum generation block run time (MGBRT), rounded up, at minimum loading point (MLP) or higher, in order to be eligible for a RT-GCG. The clarification above excludes the use of constraints towards this scheduling requirement. In a scenario where a RT-GCG precedes a day-ahead commitment (with overlap of RT-GCG and day-ahead events), the overlapped hours would include constraints applied to satisfy the day-ahead commitment. Therefore the clarification to the rule provides that to be eligible for the RT-GCG the facility must be scheduled in the hours preceding the overlap for at least ½ the total MGBRT hours at MLP or higher (example: 6 hr MGBRT, 2 hr overlap – facility must be scheduled for at least 3 of the hours preceding the overlap). The RT-GCG claim is not valid if more than ½ the MGBRT hours overlap the day-ahead commitment. Similarly, in a scenario in which a RT-GCG claim coincides in whole or in part with a period in which the generator has withdrawn their day-ahead commitment, but constraints associated with the day-ahead commitment appear in a pre-dispatch schedule used to assess eligibility for the RT-GCG claim, such constraints shall be excluded towards validation of the real-time claim.

<u>Hours With Constraints Associated With a Day-Ahead Commitment Excluded From RT-GCG Offer Price Test</u>

Chapter 7, section 5.7.1.2 requires the offer price for the RT-GCG corresponding to MLP to be the same across all hours of MGBRT. It is proposed to amend section 5.7.1.2 and add section 5.7.2:

- To specify that the offer price corresponding to MLP for the hours in which there are constraints associated with a day-ahead schedule of record (day-ahead commitment) will be excluded from the offer price validation test in chapter 7, section 5.7.1.2.

<u>Multiple Start-Up Cost Payments Related to a Single Start Event</u>

Chapter 9, section 4.7B.1.2 details the applicable combined guaranteed costs which are calculated by the IESO for the purpose of determining a RT-GCG payment. Where a RT-GCG and a DA-PCG are calculated for the same start-up event, the costs related to start-up are assessed under the DA-PCG. To ensure that the market does not provide a double start-up payment for a single start-up event, it is proposed to amend chapter 9, section 4.7B.1 as follows:

- Deem RT-GCG start up costs as zero where a generator is eligible for a RT-GCG and DA-PCG attributable to a single start up event, and where start-up costs are eligible under the DA-PCG.

As a matter of clean-up, it is also proposed to:

- Replace the cross reference to section "2.2" with section "2.2B" in chapter 9 section 4.7B.1.
- Replace the labeling of the subsections "a, b" under section 4.7.B.1.2 with "4.7B.1.2A and 4.7B.1.2B."
- Add the labeling of subsection "4.7B.1.2C" to the last paragraph in section 4.7B.1.2, "The other costs that are to be considered in addition to those specified in the definition of combined guaranteed cost are…" and replace "a." and "b." with bullet points.
- Add in the current 4.7B.1.2 subparagraph "a." the reference to "Chapter 7."
- Remove the italics from the undefined term "price" in section 5.7.1.2 of chapter 7 and section 4.7B.1.2B of chapter 9.
- Italicize the defined term "offer" in section 5.7.1.4 of Chapter 7.

PART 4 – PROPOSED AMENDMENT

Chapter 7

5.7 Pre-Dispatch Scheduling of Generation Facilities Eligible for the Generation Cost Guarantee

5.7.1 A *generation facility* shall be eligible on a voluntary basis for the generation cost guarantee on a *per-start* basis for a given *dispatch hour*, provided that:

5.7.1.1 the criteria specified in section 2.2B have been met:

5.7.1.2 subject to section 5.7.2, the *offer* price in the submitted *price-quantity pair* corresponding to the *minimum loading point* for that *generation facility* for all hours of the *minimum generation block run-time* must be the same until after the *IESO* has constrained on the *generation facility* as specified in section 6.3A.2;

5.7.1.3 the *generation facility* is scheduled in any *pre-dispatch schedule* determined within 3 hours ahead of the *dispatch hour*:

a. for the *dispatch hour*; and

b. for at least half of *minimum generation block run-time*, rounded up, at *minimum loading point* or higher, during the period from *dispatch hour* until the earlier of:

- the end of the period representing *minimum generation block run-time*; or
- the end of the period representing *minimum run-time*~~;~~.

Any schedule resulting from either a constraint associated with a day-ahead commitment or a manual constraint applied by the *IESO* at the *generator's* request shall be excluded from the eligibility test in this section 5.7.1.3;

5.7.1.4 the *registered market participant* for the *generation facility* does not increase the *offer* prices in its submitted *price-quantity pairs* corresponding to the *generation facility's minimum loading point* for the *minimum generation block run-time* after notifying the *IESO* of its intention to synchronise under section 5.7.1.6 or after the *IESO* has applied a manual constraint under section 6.3A.4;

5.7.1.5 the *generation facility* is not already synchronised at the time of the publication of the applicable *pre-dispatch schedule* referred to in section 5.7.1.3;

5.7.1.6 the *registered market participant* for the *generation facility* notifies the *IESO* of its intention to synchronise and then run for at least the *minimum generation block run-time* in accordance with applicable *market manual*; and

5.7.1.7 at the time of notification of intention to synchronise made in accordance with section 5.7.1.4, the *registered market participant* for the *generation facility* also notifies the *IESO* of its intention to qualify for the generation cost guarantee.

5.7.2 The *offer* price corresponding to *minimum loading point* in the *minimum generation block run-time* hours which contain a constraint associated with a day-ahead commitment will be excluded from the eligibility test in section 5.7.1.2.

Chapter 9

4.7B Real-Time Generation Cost Guarantee Payments

4.7B.1 The *IESO* shall determine on a *per-start* basis, for each *generation facility* that has met the eligibility criteria for the real-time generation cost guarantee specified in sections 2.2B, 5.7 and 6.3A of Chapter 7, the following:

4.7B.1.1 the sum of the following revenues earned in each *dispatch interval* during the period from synchronisation until the end of the *minimum generation block run-time* or the end of the *minimum run-time*, whichever comes first:

a. *energy market* prices multiplied by the sum of the applicable AQEI and any applicable *physical allocation data*, for *energy* injected up to and including the *minimum loading point*; and

b. any congestion management *settlement* credit payments resulting from the *facility* being constrained on in order to meet its *minimum loading point*; and

4.7B.1.2 the applicable *combined guaranteed costs* for the specified *generation facility* for the start to which the revenues determined in accordance with 4.7B.1.1 apply. Subject to section 4.7B.1.3, t~~T~~he *combined guaranteed costs* will be calculated by the *IESO* and will be the sum of the following costs:

a4.7B.1.2A. fuel costs for start up and ramp to *minimum loading point* submitted by the *market participant* as outlined in section 2.2B.1.4 of Chapter 7, and

b4.7B.1.2B. the *offer* price associated with the real-time *dispatch* multiplied by the *energy* injected, to a maximum of the *minimum loading point*, during the period from the beginning of the *minimum generation block run-time* until the earlier of:

- the end of the period representing *minimum generation block run-time*; or
- the end of the period representing *minimum run-time*.

4.7B.1.2C The other costs that are to be considered in addition to those specified in the definition of *combined guaranteed cost* are:

- a. incremental operating costs for start up and ramp to *minimum loading point*; and
- b. incremental maintenance costs for start up and ramp to *minimum loading point*;

where both of these additional cost components are reported to the *IESO* in the manner specified in the applicable *market manual*.

4.7B.1.3 the elements of the *combined guaranteed costs* in sections 4.7B.1.2A and 4.7B.1.2C shall be deemed to be zero where a *market participant* is also eligible for the start-up cost component of a day-ahead production cost guarantee attributable to the same start-up event.

4.7B.2 If for each eligible *generation facility* the sum of the revenues calculated pursuant to section 4.7B.1.1 is greater than or equal to the *combined guaranteed costs* referred to in section 4.7B.1.2, then no additional payments are made in respect of the eligible *generation facility* by the *IESO*.

4.7B.3 If for each eligible *generation facility* the sum of the revenues calculated pursuant to section 4.7B.1.1 is less than the *combined guaranteed costs* referred to in section 4.7B.1.2, then the *IESO* shall calculate that difference and shall include that amount in the form of additional payments made in respect of the eligible *generation facility*.

4.7B.4 A *real-time* generation cost guarantee shall not be paid for a *generation unit* with respect to costs incurred or revenues accrued by that *generation unit* for which a day-ahead production cost guarantee applies under section 4.7D.

PART 5 – IESO BOARD DECISION RATIONALE

This amendment clarifies a generator's eligibility for a cost guarantee in scenarios where the scheduling of a RT-GCG and day-ahead commitment overlap, and prevents a generator from being paid start-up costs twice for a single start-up.