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## Market Rule Amendment Proposal

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### PART 1 – MARKET RULE INFORMATION

Identification No.:	MR-00423-R00		
Subject:	Congestion Management Settlement Credits		
Title:	Limiting Constrained-Off Congestion Management Settlement Credits (CMSC) at the Interties		
Nature of Proposal:	<input checked="" type="checkbox"/> Alteration	<input checked="" type="checkbox"/> Deletion	<input type="checkbox"/> Addition
Chapter:	9, 11	Appendix:	n/a
Sections:	3.5		
Sub-sections proposed for amending:	3.5.10		

### PART 2 – PROPOSAL HISTORY

Version	Reason for Issuing	Version Date
1.0	Draft for Technical Panel Review	June 30, 2015
2.0	Publish for Stakeholder Review and Comment	July 9, 2015
3.0	Submitted for Technical Panel Vote	July 31, 2015
4.0	Recommended by Technical Panel; Submitted for IESO Board Approval	August 11, 2015
5.0	Approved by IESO Board	August 26, 2015
Approved Amendment Publication Date:	August 27, 2015	
Approved Amendment Effective Date:	September 18, 2015	

### 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 limit constrained-off congestion management settlement credits (CMSC) for all intertie transactions. Specifically, market participants who are offering to inject or withdraw energy over an intertie shall not be eligible for CMSC payments where the transaction is constrained-off in the final pre-dispatch run prior to the dispatch hour.

This proposal is based on the “Addressing Constrained-Off Payments for Ontario Interties” stakeholder engagement.

Further information on this stakeholder engagement can be found on the IESO’s website at:

<http://www.ieso.ca/Pages/Participate/Stakeholder-Engagement/Addressing-Constrained-Off-Payments-for-Ontario-Interties.aspx>

#### Background

See MR-00423-Q00.

#### Discussion

In MR-00395-R00 under section 3.5.10, the IESO limited CMSC payments for constrained-off imports into oversupplied areas. The oversupplied areas were identified by a newly defined term, *designated chronically congested area*, which at present refers to constrained-off watch zones or COWZ in the Northwest.

#### Revisions to Section 3.5.10:

This amendment will expand on the existing provisions within section 3.5.10 to eliminate constrained-off CMSC payments for all intertie transactions - imports and exports at all interties - where the transaction is constrained-off in the final pre-dispatch run prior to the dispatch hour (same condition as in existing 3.5.10), in accordance with the applicable market manual. Market manual content (Market Manual 5: Settlements, Part 5.5) will clarify that the IESO will continue to pay CMSC for intertie transactions which are constrained-off manually by the IESO for the purpose of Ontario reliability after the final run of pre-dispatch.

Market Manual 5: Part 5.5 will also clarify that the IESO will continue to apply negative constrained-off CMSC for imports. Negative CMSC currently offsets intertie offer guarantee (IOG) payments for eligible import transactions when constrained-off. Eliminating the negative CMSC would not result in an automatic reduction in the IOG payment, and would otherwise require a complex change to the IOG settlement calculation.

As a consequence of the above changes, the defined term *designated chronically congested area* which

**PART 3 – EXPLANATION FOR PROPOSED AMENDMENT**

is only utilized in existing section 3.5.10 of the market rules, is no longer required and will be deleted.
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**PART 4 – PROPOSED AMENDMENT****Chapter 9****3.5 Hourly Settlement Amounts for Congestion Management**  
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3.5.10 ~~A~~In accordance with the applicable *market manual*, a market participant shall not be entitled to any congestion management *settlement* credits determined in accordance with section 3.5.2 and attributable to a *constrained off event* associated with an *energy* offer or an energy bid from a *boundary entity* ~~for an injection into a designated chronically congested area for an injection into or withdrawal from the IESO-controlled grid~~, where the *constrained off event* appears in the *pre-dispatch schedule* identified in section 6.1.3 of Chapter 7. In this case, the *IESO* may withhold or recover such congestion management *settlement* credits and shall redistribute any recovered payments in accordance with section 4.8.2.

**4.8 Additional Non-Hourly Settlement Amounts**  
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4.8.2 The *IESO* shall, at the end of each *energy market billing period*, distribute to *market participants*, on a pro-rata basis across all allocated quantities of *energy* withdrawn at all *RWMs* and *intertie metering points* during all *metering intervals* and *settlement hours* within that *energy market billing period*, the following amounts:

4.8.2.15 any recovery of payments made by the *IESO* under section 3.5.10.

**Chapter 11**  
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~~A designated chronically congested area means an area within Ontario as set out in the applicable market manual, including connected intertie zones, that is determined to be oversupplied due to transmission constraints. This area is defined for the purpose of limiting constrained off congestion management settlement credits to energy offers for injections from a boundary entity.~~

**PART 5 – IESO BOARD DECISION RATIONALE**

The amendment will address “pay-as-bid” incentives resulting in imports and exports being offered into the market with no intention to actually flow, and limit unwarranted constrained-off CMSC being charged to Ontario consumers.