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# Congestion Management Settlement Credit Recovery for Dispatchable Loads

## Presentation to IESO Technical Panel

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# Agenda

- Objective
- Background
- IESO Proposal
- Stakeholder Engagement
- Next steps

# Objective

- This presentation is an education item prepared for the Technical Panel.
- The presentation will explain the requirement for market rule amendments to enable the IESO to recover congestion management settlement credit (CMSC) payments made to dispatchable loads as a result of operational constraints applied to prevent endangering the **safety** of any person, **equipment** damage, or violation of any **applicable law** (SEAL).

# Background

- When a dispatchable facility's constrained dispatch schedule deviates from its unconstrained market schedule, subject to other applicable provisions of the market rules, the market participant (MP) is eligible for CMSC payments.
- CMSC payments are intended to provide compensation to MPs for the change in implied operating profits.
- CMSC payments will be retired when the Market Renewal Program (MRP) is implemented and the costs of producing or consuming electricity are reflected in the market price.

## Past Market Rule Changes

- In 2011, the IESO amended the market rules to allow for recovery of CMSC payments from dispatchable generators when those payments are a result of operational constraints applied by the IESO to address **SEAL conditions**<sup>1</sup> rather than conditions on the grid.
- In order to respect SEAL conditions, the IESO applies an operational constraint to limit the dispatch. This constraint may trigger a CMSC payment. However, since the constraint is due to conditions at the facility and not on the grid, the CMSC is seen as inappropriate and therefore recoverable.

<sup>1</sup> Chapter 9, Section 3.5.6C – Conditions that endanger the safety of any person, result in equipment damage or violate any applicable law.

# Market Surveillance Panel (MSP) Recommendations

- The MSP has issued recommendations<sup>2</sup> to the IESO regarding what were considered to be unwarranted CMSC payments made to dispatchable loads.
- The MSP recommended that the IESO implement market rules that allow recovery of CMSC payments made to dispatchable loads when those payments are the result of an operational constraint arising from conditions at the facility.

<sup>2</sup> Recommendation from [February 2015 Investigation Report](#) and Recommendation 3-1, [March 2018 Monitoring Report](#)

# IESO Proposal

- The IESO proposes an amendment allowing recovery of CMSC payments from dispatchable loads when those payments are the result of SEAL conditions.
- This amendment will ensure that market rules allowing the IESO to recover SEAL CMSC payments are applied consistently to both dispatchable loads and dispatchable generators.
- The proposal is also consistent with the Market Renewal design where a dispatchable facility will not be eligible for a make-whole payment when it is dispatched up or down for SEAL reasons.

# Stakeholder Engagement

- The IESO met with MPs representing dispatchable loads on October 27 to discuss the rationale for the proposed changes to market rules and market manuals.
- Stakeholders were informed about the intent of the IESO proposal, and did not express concerns with recovery of CMSC payments that are due to operational constraints arising from SEAL conditions at their facilities.
- Stakeholders were asked to provide feedback by November 17.

## Next Steps

- The IESO expects to complete stakeholder engagement by the end of this year, and will provide an update to the Technical Panel in January 2021.
- If appropriate at that time, the IESO will ask for a vote by the Technical Panel to post the market rule amendment proposal for stakeholder comment.

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# Thank You

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