



Market Rule Amendment Submission

Please complete the first four parts of this form and submit the completed form by email or fax to the following:

Email Address: Rule.Amendments@theIMO.com

Fax No.: (416) 506-2847 Attention: Market Rules Group

Subject: *Market Rule Amendment Submission*

All information submitted in this process will be used by the *IMO* 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 confidentiality classification of "public" upon receipt. You should be aware that the *IMO* will *publish* this *amendment submission* if the Technical Panel determines it warrants consideration and may invite public comment.

Terms and acronyms used in this Form that are italicized have the meanings ascribed thereto in Chapter 11 of the "Market Rules".

PART 1 – SUBMITTER’S INFORMATION

Please enter contact information in full

Name: Jason Chee-Aloy	
(if applicable) <i>Market Participant / Metering Service Provider</i> No. ¹ :	<i>Market Participant</i> Class: IMO Staff
Telephone: 416-506-2839	Fax: 416-506-2847
Email Address: rule.amendments@theIMO.com	

PART 2 – MARKET RULE AMENDMENT SUBMISSION INFORMATION

Subject: Data, Scheduling, Dispatch, Prices		
Title: Treatment of Co-generation Facilities within the Market Rules		
Nature of request (please indicate with X on the right): Alteration - <input checked="" type="checkbox"/> Deletion Addition		
Clarification		
Chapter: 7	Appendix:	Sections
Sub-sections proposed for amending/clarifying :		

¹ This field is restricted to a maximum of 12 characters and does not allow any spaces or underscore.

PART 3 – DESCRIPTION OF THE ISSUE

Provide a brief description of the issue and reason for the proposed amendment. If possible, provide a qualitative and quantitative assessment of the impacts of the issue on you and the *IMO-administered markets*. Include the Chapter and Section number of the relevant market rules.

Co-generation *facilities* are highly efficient *facilities* that simultaneously produce electricity and process steam for a steam load host. These *facilities* have the following characteristics:

- Their driving operating force is typically steam production, with electricity as a by-product;
- In multi-unit *facilities*, when one generation unit fails, other units will adjust to pick up the steam load, thus affecting electricity production; and
- Sizes typically range from 50 to 200 MW.

Stakeholders have conveyed to the *IMO* that the *market rules* do not appropriately address these unique characteristics and existing contractual commitments (for steam production) of these *facilities*.

Given that the primary purpose of co-generation *facilities* is typically steam production to supply the steam load host, it may be problematic to require these *facilities* to be dispatchable under the *market rules*. Specifically, it is expected that the steam load host requirements will come into conflict with the *energy dispatch instructions* from the *IMO*. The operators and owners of co-generation *facilities* believe that steam production should take precedence over *energy dispatch instructions*. In situations of conflict, failure to respond to an *energy dispatch instruction* should not be deemed non-compliant under the *market rules*.

This issue becomes more important as the existing power purchase agreements (PPAs) with the non-utility *generators* (NUGs) are amended. Almost all existing co-generation *facilities* in Ontario have PPAs with the Ontario Electricity Financial Corporation (*OEFC*). These PPAs for NUGs represent approximately 1700 MW or approximately 6% of Ontario's present generating capacity. While the expiry date for most of these PPAs is not until some time between 2010 and 2020, they are presently undergoing negotiation for amendment as they limit the ability of these *generators* to efficiently operate within the *IMO-administered markets*. As it was clear that amendments to these PPAs would not be concluded by the start of Coupled Operational Dry-Run (CODR), the *IMO* worked with stakeholders to draft transitional provisions into the *market rules* for these *generators*. These provisions allowed all NUGs under contract with the *OEFC* through a PPA to register with the *IMO* as a *transitional scheduling generator* (TSG) to effectively self-schedule their *energy* supply with the *IMO*. For each *facility*, these transitional provisions expire within one month after the NUG and *OEFC* negotiations are complete and the PPA has been amended. The timeline for completion of these amendments is presently indeterminate.

Generators who are authorized to participate in the *IMO-administered markets* and have chosen not to register as a TSG are subject to the remaining *market rules*, i.e. they would be dispatchable *generators*. To date, all NUGs have selected the TSG option. However, one NUG has recently indicated to the *IMO* its preference to dissolve its TSG registration status. The formal process to change this NUGs registration status to that of a dispatchable *generation facility* is expected to commence this summer.

PART 3 – DESCRIPTION OF THE ISSUE

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As well, the *IMO* has received several *exemption applications* from various co-generation *facilities* to operate as a *self-scheduling generation facility*. These *exemption applications* have yet to be formally reviewed by the Panel of Independent Directors.

As stated previously, co-generation *facilities* can be highly efficient. As the *market rules*, by way of market design, strive to promote an efficient, competitive and reliable market, potential barriers to entry should be minimized to the extent practical.

PART 4 – PROPOSAL

Provide your proposed amendment. If possible, provide suggested wording of proposed amendment.

A specific *market rule* amendment has not been identified at this time.

Some potential solutions may include the following:

- Establishing a separate class of *generation facility* for co-generation *facilities* with requirements that recognize the operational characteristics of co-generation *facilities* and the needs of the Ontario marketplace;
- Increasing the self-scheduling limit for co-generation *facilities*;
- Granting exemptions to the present self-scheduling size limit (10 MW) within the *market rules* in those cases where applicants can demonstrate to the *IMO* that the physical and technical characteristics of the co-generation *facility* are such that it is not practical for them to be dispatchable; or
- A combination of the above.

It is noted that the potential solutions listed above have not been sufficiently assessed at this time.

Implementation of any solution must meet adopted market design guiding principles. Applicable principles are market efficiency, fairness and *reliability*. Therefore, the optimal solution would not impact *reliability* of the *IMO-controlled grid* while striking an appropriate balance between recognizing the characteristics of co-generation *facilities* from a market efficiency standpoint and assuring that specific classes of *market participants* are not awarded any unfair operational advantages.

PART 5 – FOR *IMO* USE ONLY

Rule Amendment Submission Acceptance Information	
MR number: MR-00161-Q00	
Date submitted to <i>Technical Panel</i> :	
Accepted by Technical Panel as: General - <input checked="" type="checkbox"/> Urgent Minor (please indicate with X on the right)	Date: November 27, 2001 and June 11, 2002
Criteria for acceptance: <ul style="list-style-type: none"> • Identifies impediments to, or means to enable, operations and market coordination with <i>market rules</i> and practices; • Identifies means to better enable the market to satisfy the market design principles; • Identifies ways to simplify the market and/or reduce participant or <i>IMO</i> costs; and • Expected or perceived benefits of the amendment exceed the expected or perceived costs of implementation. 	
Priority: High	
Criteria for assigning priority: <ul style="list-style-type: none"> • Pervasiveness of the problem: the extent to which an issue is adversely affecting a number of market participants, the extent of the adverse impact on the affected participants, and the likely duration of the problem (i.e., is it transitory, or will it persist). 	
Not accepted (please indicate with X):	
Clarification/interpretation required (please indicate with X):	
<i>Technical Panel</i> minutes reference: IMOTP 107-1	

PART 5 – FOR *IMO* USE ONLY

Technical Panel Comments:

The *Technical Panel* decided this amendment submission warrants further consideration. The *Technical Panel* initially considered the amendment in 2001, but resolution of the issue was judged not to be critical to the start of the market.

In order to better understand the extent of the issue, the *Technical Panel* is inviting *market participants* and stakeholders to make written submissions to this amendment submission using the form titled “Market Rule Amendment Written Submission Form”.

The *Technical Panel* is seeking advice as to:

- How many existing or planned facilities are affected?
- What are the costs and implications for those facilities to comply with the existing *market rules* (assuming the *facility* is not registered as a TSG)?
- Are there any alternative solutions available?
- Any other comments on the issue.

All *market participant* and stakeholder comments are to be submitted to the *IMO* by June 28 2002.