



Market Rule Amendment Submission

This form is used to request an amendment to, or clarification of, the *Market Rules*. 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@ieso.ca

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 *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 license. All submitted information will be assigned the *confidentiality classification* of “Public” upon receipt. You should be aware that the *IESO* 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: <u>IESO Staff</u>	
(if applicable) <i>Market Participant / Metering Service Provider</i> No. ¹ : <u>N/A</u>	<i>Market Participant Class</i> : <u>N/A</u>
Telephone: <u>905-855-4128</u>	Fax: <u>905-855-6371</u>
E-mail Address: <u>Rule.amendments@ieso.ca</u>	

PART 2 – MARKET RULE AMENDMENT SUBMISSION INFORMATION

Subject: <u>Recovery of Negative CMSC</u>
Title: <u>Recovery of Negative CMSC resulting from IESO Action and Binding Net Interchange Schedule Limit (NISL)</u>
Nature of Request (please indicate with x) <input type="checkbox"/> Alteration <input type="checkbox"/> Deletion <input checked="" type="checkbox"/> Addition <input type="checkbox"/> Clarification
Chapter: <u>9</u> Appendix: _____ Sections: <u>3.5</u>
Sub-sections proposed for amending/clarifying: <u>3.5.1B (new)</u>

¹ This number is a maximum of 12 characters and does not include 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 *IESO-administered markets*. Include the Chapter and Section number of the relevant *market rules*.

Overview

The IESO has identified situations where negative Congestion Management Settlement Credits (CMSC) may unfairly be charged to exporters under certain conditions, which could result in significant CMSC charges owing from exporters. The situations have occurred during internal transmission constraints under the following conditions:

1. The market participant (MP) is exporting power (this issue does not apply to imports because negative CMSC is offset by intertie offer guarantees).
2. The net interchange schedule limit (NISL) was binding in the market schedule.
3. The transactions did not, in whole or in part, result in the physical flow of power (i.e. the export transaction was constrained off).
4. The transactions attracting the negative CMSC were removed manually in the constrained schedule in real-time while remaining in the market schedule.

Under such conditions, when an export is constrained off and the HOEP is greater than the bid price, the export is charged negative CMSC. For example, an exporter bids to export 100 MWh at \$100/MWh. The pre-dispatch price is \$90/MWh, but the real-time HOEP is \$2,000/MWh. Assume the dispatch algorithm has scheduled 100MWh in both the market schedule and constrained schedule. If, as a result of internal transmission constraints the exporter is constrained off in the constrained schedule in real-time, while remaining in the market schedule due to a binding NISL in the market schedule, the exporter will be required to pay negative CMSC of \$1,900/MWh for transactions which did not flow.

Such an event occurred on December 18, 2008 when export transactions were manually constrained off in the constrained schedule due to an internal transmission constraint, while remaining in the market schedule due to a binding NISL. As a result of the IESO's action and a binding NISL in the market schedule, an exporter was required to pay \$450K of negative CMSC based on two bids in one hour for 250MWs in total for transactions that did not physically flow. The MP filed a Notice of Dispute. The IESO concluded that transactions in the market schedule that exceed physical limits should not be scheduled and the negative CMSC charge was reversed.

As part of the dispute resolution process which arose due to the December 18, 2008 event, the IESO agreed to amend the market rules to allow an MP to recover negative CMSC under the four conditions outlined in this submission.

Background on NISL

NISL restricts the hour-to-hour net change in total intertie schedules across all interfaces into or out of the Ontario market. This constraint reflects the internal maximum generation ramp capability (up or down) to meet the change in intertie transactions and better ensures reliability within Ontario. Prior to market opening, the agreed upon constraint was a net change of (+/-)700 MW which could be physically accommodated by internal generators. This constraint is implemented automatically via the dispatch algorithm or manually if the algorithm is unable to respect the limit. To avoid a limit violation, the dispatch algorithm may constrain on or constrain off imports or exports as required.

For further information on NISL and CMSC, please refer to the Net Interchange Schedule Limit Quick

PART 3 – DESCRIPTION OF THE ISSUE

Take found on the IESO's website at:

http://www.ieso.ca/imoweb/pubs/training/QT2_NISL_2003jan17.pdf

PART 4 – PROPOSAL (BY SUBMITTER)

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

Amend the market rules in Chapter 9 section 3.5 to specify that a market participant (MP) may be eligible to recover negative CMSC if the following conditions are met:

1. MP is exporting power.
2. NISL was binding in the market schedule.
3. The transactions did not, in whole or in part, result in the physical flow of power (i.e. the export transaction was constrained off).
4. The transactions attracting the negative CMSC were removed manually in the constrained schedule in real-time while remaining in the market schedule.

Should the above conditions result in positive CMSC, the IESO would reserve the right to recover such amounts.

Under the proposed amendment, MPs would continue to use the “notice of disagreement” provisions of the market rules. Using this process is considered to be appropriate because the circumstances anticipated under this rule amendment are expected to occur rarely (NISL is binding in the market schedule in less than 5% of transactions) and it is an existing process that can be readily utilized.

The proposed amendment will provide further clarity regarding the circumstances when negative CMSC is inappropriate, and is expected to facilitate resolution during the notice of disagreement stage, versus the more onerous notice of dispute process. In addition, the amendment is consistent with the principal of IESO programs or actions not creating CMSC where there is no benefit to reliability.

PART 5 – FOR IESO USE ONLY

Technical Panel Decision on Rule Amendment Submission: Warrants consideration

MR Number: MR-00360

Date Submitted to *Technical Panel*: August 11, 2009

Accepted by *Technical Panel* as: (please indicate with x)

General Urgent Minor

Date:

August 18, 2009

PART 5 – FOR IESO USE ONLY

Criteria for Acceptance:

- (1) They identify ways to reduce participant and IESO administrative costs; and
- (2) They identify means to better enable the market to satisfy the market design principle of fairness.

Priority: High

Criteria for Assigning Priority: While the issue is not pervasive as the events contemplated by the amendment submission have a low probability of occurring, the negative CMSC charges incurred by exporters may be significant.

Not Accepted (please indicate with x):

Clarification/Interpretation Required (please indicate with x):

Technical Panel Minutes Reference: IESOTP 229-1

Technical Panel Comments: Although the circumstances contemplated under this amendment are expected to occur rarely, the Technical Panel encouraged the IESO to pursue a tool or procedural change such that the inappropriate CMSC would not be billed to the market participant, versus placing the onus on the MP to discover the inappropriate charge and file a notice of disagreement.