Market Rule Amendment Proposal

PART 1 – MARKET RULE INFORMATION

Identification No.:	MR-00360			
Subject:	Congestion Management Settlement Credits (CMSC)			
Title:	Recovery of Negative CMSC resulting from IESO Action and Binding Net Interchange Schedule Limit (NISL)			
Nature of Proposal:	☒ Alteration	☐ Deletion	☒ Addition	
Chapter:	9	Appendix:		
Sections:	3.5.1B (new), 3.5.1C (new), 3.5.1D (new), 4.8.2.5			
Sub-sections proposed for amending:				

PART 2 – PROPOSAL HISTORY

Version	Reason for Issuing	Version Date
1.0	Draft for Technical Panel Review	September 8, 2009
2.0	Publish for Stakeholder Review and Comment	September 17, 2009

Approved Amendment Publication Date:	
Approved Amendment Effective Date:	

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 has identified a set of conditions where congestion management settlement credits (CMSC) is inappropriately charged (or paid) to exporters. It is proposed to modify Chapter 9 of the market rules to allow exporters to recover negative CMSC or the IESO to recover positive CMSC that are incurred during internal transmission constraints under either of the following conditions:

1. The net interchange schedule limit is binding in the market schedule on an economic export transaction, and subsequently, in accordance with section 6.4.3 of Chapter 7, the IESO increases the quantity of that transaction in the real-time schedule; or
2. The net interchange schedule limit is binding in the market schedule on an uneconomic export transaction, and subsequently, in accordance with section 6.4.3 of Chapter 7, the IESO decreases the quantity of that transaction in the real-time schedule.

The amount of negative or positive CMSC that can be recovered is limited to the portion of the transaction that is modified by the IESO.

Background

On December 18, 2008, an export transaction was manually dispatched 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 manual action combined with a binding NISL in the market schedule, an exporter was required to pay $450,000 of negative CMSC for transactions that could not have physically flowed. The IESO subsequently concluded that transactions in the market schedule that exceed intertie scheduling limits should not be scheduled. Since the CMSC charges resulted from IESO action combined with a binding NISL in the market schedule, the charges were deemed inappropriate. The IESO reversed the negative CMSC charge and agreed to amend the market rules to facilitate the recovery of negative CMSC under the conditions outlined above. Although the incident in question relates to negative CMSC there are scenarios where positive CMSC is paid under these same circumstances.

Discussion

To address the specific situation where negative/positive CMSC should not be charged/paid to exporters, it is proposed to insert, in Chapter 9, new sections 3.5.1B, 3.5.1C, and 3.5.1D which would list the conditions and mechanism for a specific export transaction, where such charges could be recovered. Although the circumstances contemplated under this amendment are expected to occur rarely, the IESO supports the principle that inappropriate CMSC should not be charged/paid to the market participant in the first place; the IESO is investigating a tool change to that effect. Until such time as the IESO has the software capability to reverse the CMSC charges before they are billed to the market participant, the market participant would be required to file a notice of disagreement in order to recover those charges. Similarly, for the recovery of positive CMSC amounts, the IESO will be required to notify the market

PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

participant of the recovery until software capability is implemented.

Consequential to the addition of section 3.5.1D, a cross-reference must be added to section 4.8.2.5 to allow for the appropriate redistribution by the IESO of any CMSC amounts that may occur under those circumstances.

PART 4 – PROPOSED AMENDMENT

3.5 Hourly Settlement Amounts for Congestion Management

3.5.1 The *dispatch instructions* provided by the *IESO* to *market participant* 'k' will sometimes instruct k to deviate from its *market schedule* in ways that, based on *market participant* 'k's *offers* and *bids*, imply a change to *market participant* 'k's net operating profits relative to the operating profits implied by *market participant* 'k's *market schedule*. When this occurs and *market participant* 'k' responds to the *IESO*'s *dispatch instructions*, *market participant* 'k' shall, subject to Appendix 7.6 of Chapter 7, receive as compensation a *settlement* credit equal to the change in implied operating profits resulting from such response, calculated in accordance with section 3.5.2. If *market participant* 'k' does not fully or accurately respond to its *dispatch instructions* from the *IESO*, the compensation paid to *market participant* 'k' shall be altered as set forth in this section 3.5, or as otherwise specified by the *IESO*.

3.5.1A A *registered market participant* for a *constrained off facility* is not entitled to a congestion management settlement credit determined in accordance with section 3.5.2 as the result of the *facility's* own equipment or operational limitations, if

3.5.1A.1 a *dispatchable load facility* does not fully or accurately respond to its *dispatch instructions*; or

3.5.1A.2 if the ramping capability of a *dispatchable load facility*, as represented by the ramp rate set out in the *offers* or *bids*, is below the threshold for the *IESO* to modify *dispatch instructions* and thereby prevents changes to the *dispatch*;

and then the *IESO* may withhold or recover such congestion management settlement credits and shall redistribute any recovered payments in accordance with section 4.8.2 of Chapter 9.

3.5.1B A *market participant* shall be eligible to recover negative congestion management settlement credits for an export transaction if that transaction attracted the negative congestion management settlement credits under the following conditions:

3.5.1B.1 the net *interchange schedule* limit is binding in the *market schedule* on an economic export transaction, and subsequently, in accordance with section 6.4.3 of Chapter 7, the *IESO* increases the quantity of that transaction in the *real-time schedule*; or

3.5.1B.2 the net *interchange schedule* limit is binding in the *market schedule* on an uneconomic export transaction, and subsequently, in accordance with section 6.4.3 of Chapter 7, the *IESO* decreases the quantity of that transaction in the *real-time schedule*.

3.5.1C The *IESO* shall be eligible to recover positive congestion management settlement credits for an export transaction if that transaction attracted the positive congestion management settlement credits under the conditions specified in section 3.5.1B.1 or 3.5.1B.2.

3.5.1D The amount of congestion management settlement credits that can be recovered under sections 3.5.1B and 3.5.1C is limited to the portion of the transaction that is modified by the *IESO*. Until such time that the *IESO* has the software capability to reverse any congestion management settlement credits that arise under the conditions described in sections 3.5.1B and 3.5.1C, for the recovery of negative congestion management credits, the *market participant* shall issue to the *IESO* a *notice of disagreement* in accordance with section 6.6 of Chapter 9 and shall identify why it believes that the circumstances outlined in section 3.5.1B have occurred. For the recovery of positive congestion management settlement credits, the *IESO* shall notify the *market participant* of the recovery and redistribute any recovered *settlement amounts* in accordance with section 4.8.2 of Chapter 9.

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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:

4.8.2.1 any compensation received by the *IESO* for the provision of *emergency energy* pursuant to section 4.4A.1 of Chapter 5;

4.8.2.2 any compensation received by the *IESO* as a result of a local market power investigation as set out in sections 1.7.1 and 1.7.2 of Appendix 7.6;

4.8.2.3 any adjustments to *intertie offer* guarantee *settlement* credits for wheeling through transactions, in accordance with section 3.5.8.1 of Chapter 7, calculated pursuant to section 3.8A.3;

4.8.2.4 [Intentionally left blank – section deleted]

4.8.2.5 any payments recovered by the *IESO* in accordance with section 3.5.1A or 3.5.1D of chapter 9;

4.8.2.6 any adjustments made by the *IESO* in accordance with section 3.5.7 of Chapter 9;

4.8.2.7 any adjustments to Transitional Demand Response Program payments pursuant to section 4.7C;

4.8.2.8 any proceeds from the day-ahead import failure charge that are not distributed as a component of *hourly uplift* under section 3.9.4;

4.8.2.9 any proceeds from the real-time import failure charge or the real- time export failure charge that in accordance with section 3.9.5 are not distributed as a component of *hourly uplift*;

4.8.2.10 any proceeds from the recovery of congestion management *settlement* credits or other *settlement amounts* in accordance with section 6.6.10A.2 of Chapter 3, excluding any payments recovered under section 4.18.1.6 of Chapter 8;

4.8.2.11 any recovery of day-ahead *intertie offer* guarantee payments pursuant to section 3.3A.13 of Chapter 7;

4.8.2.12 any adjustments to Emergency Load Reduction Program payments pursuant to section 4.7F; and

4.8.2.13 any recovery of payments made by the *IESO* under section 3.5.9.

PART 5 – IESO BOARD DECISION RATIONALE

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ILLUSTRATIVE EXAMPLES

Illustration –ve CMSC: 3.5.1B.1

Example illustrating –ve CMSC 3.5.1B.1:

- Starting point: 0 MW scheduled in MS and CS
- HE 1: P_DMCP = RT price = $50, Bid 1000 MW @$60
- In a $50 market, exporter would like 1000MWs scheduled to max profit
- NISL binding in MS, restricts increase in exports to 700MW
- Due to an internal Tx constraint, IESO manual action in CS to increase exports to 1000MW
- MS ≠ CS, -ve CMSC of ($3,000): recoverable

  OpΠ MS=700MW*$10=$7,000; OpΠ CS=1,000MW*$10=$10,000; CMSC of ($3,000) to return to OpΠ MS

	Hour 0	Hour 1
Total Imports	0	0
Total Exports	0	700 (NISL)
Total Net IS	0	-700 (NISL)
Net Hourly Change		-700 (NISL respected)

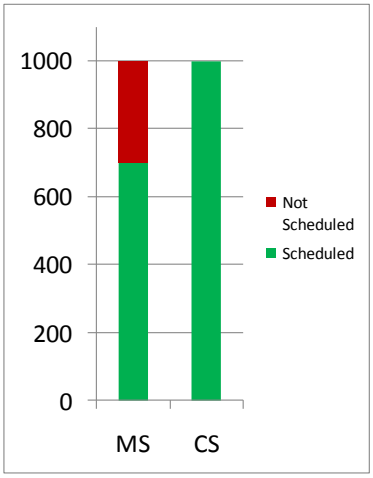

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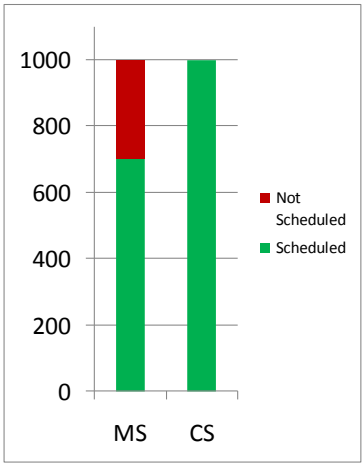
Illustration +ve CMSC: 3.5.1B.1

Example illustrating +ve CMSC 3.5.1C;3.5.1B.1:

- Starting point: 0 MW scheduled in MS and CS
- HE 1: P_DMCP = $50, Bid 1000 MW @$60, *RT price = $70*
- In a $70 market, exporter would like 0MWs scheduled as will incur loss
- NISL binding in MS, restricts increase in exports to 700MW
- Due to an internal Tx constraint, IESO manual action in CS to increase exports to 1000MW
- MS ≠ CS, +ve CMSC of $3,000: recoverable

  OpΠ MS=700MW*($10)=($7,000); OpΠ CS=1,000MW*($10) =($10,000); CMSC of $,3000 to return to OpΠ MS

	Hour 0	Hour 1
Total Imports	0	0
Total Exports	0	700 (NISL)
Total Net IS	0	-700 (NISL)
Net Hourly Change		-700 (NISL respected)



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ILLUSTRATIVE EXAMPLES (continued)

Illustration –ve CMSC: 3.5.1B.2

Example illustrating –ve CMSC 3.5.1B.2:

- Starting point: 1000 MW scheduled in MS and CS
- HE 1: P_DMCP = RT price = $50, Bid 1000 MW @$40
- In a $50 market, exporter would like 0MWs scheduled as will incur loss
- NISL binding in MS, restricts reduction in exports down to 300MW
- Due to an internal Tx constraint, IESO manual action in CS to reduce exports to 0MW
- MS ≠ CS, -ve CMSC of ($3,000): recoverable

  OpΠ MS=300MW*($10)=($3,000); OpΠ CS=0; CMSC of ($3,000) to return to OpΠ MS

	Hour 0	Hour 1
Total Imports	0	0
Total Exports	1000	300 (NISL)
Total Net IS	-1000	-700 (NISL)
Net Hourly Change		-700 (NISL respected)

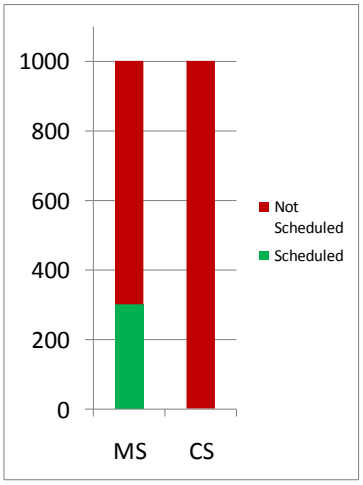

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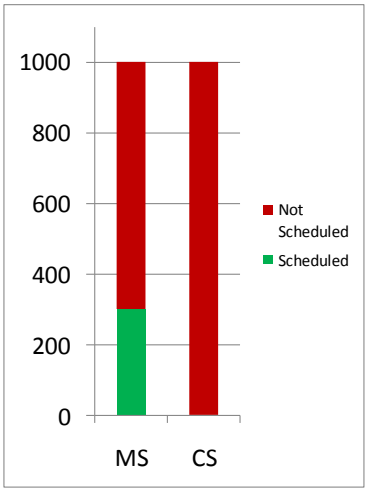
Illustration +ve CMSC: 3.5.1B.2

Example illustrating +ve CMSC 3.5.1C;3.5.1B.2:

- Starting point: 1000 MW scheduled in MS and CS
- HE 1: P_DMCP = $50, Bid 1000 MW @$40, *RT price = $30*
- In a $30 market, exporter would like 1000MWs scheduled to max profit
- NISL binding in MS, restricts reduction in exports down to 300MW
- Due to an internal Tx constraint, IESO manual action in CS to reduce exports to 0MW
- MS ≠ CS, +ve CMSC of $3,000: recoverable

  OpΠ MS=300MW*$10=$3,000; OpΠ CS=0; CMSC of $,3000 to return to OpΠ MS

	Hour 0	Hour 1
Total Imports	0	0
Total Exports	1000	300 (NISL)
Total Net IS	-1000	-700 (NISL)
Net Hourly Change		-700 (NISL respected)



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