Market Rule Amendment Proposal

PART 1 – MARKET RULE INFORMATION

Identification No.:		MR-00360			
Subject:		Congestion Management Settlement Credits (CMSC)			
Title:		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)				
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 18, 2009
3.0	Submitted for Technical Panel Review and Vote	October 13, 2009
4.0	Recommended by Technical Panel for IESO Board Approval	October 21, 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 such that exporters shall not be charged or paid CMSC 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 in pre-dispatch, and subsequently, in accordance with section 6.1.3 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 in pre-dispatch, and subsequently, in accordance with section 6.1.3 of Chapter 7, the IESO decreases the quantity of that transaction in the real-time schedule.

The amount of CMSC 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 approximately $450,000 of negative CMSC. 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, a new section 3.5.1B which would list the conditions where such amounts would not be charged/paid. The IESO agrees with the principle that inappropriate CMSC should not be charged/paid to the market participant and is implementing a tool change such that the inappropriate charge is not billed in the first place.

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 not be *invoiced* congestion management settlement credits for an export transaction if that transaction attracted the 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 in pre-dispatch, and subsequently, in accordance with section 6.1.3 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 in pre-dispatch, and subsequently, in

accordance with section 6.1.3 of Chapter 7, the *IESO* decreases the quantity of that transaction in the *real-time schedule*.

The amount of congestion management settlement credits referred to in this section is limited to the portion of the transaction that is modified by the *IESO*.

PART 5 – IESO BOARD DECISION RATIONALE

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ILLUSTRATIVE EXAMPLES (continued)

Example illustrating –ve CMSC 3.5.1B.1:

- Starting point: 0 MW scheduled in MS and CS
- HE 1: $P_D MCP$ = 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
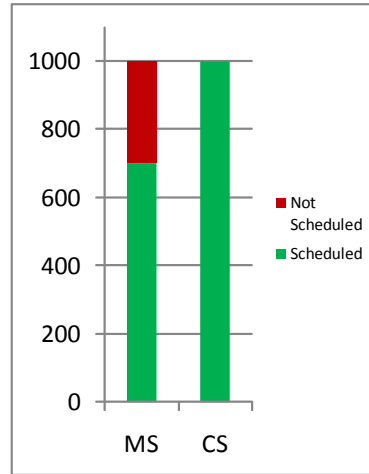
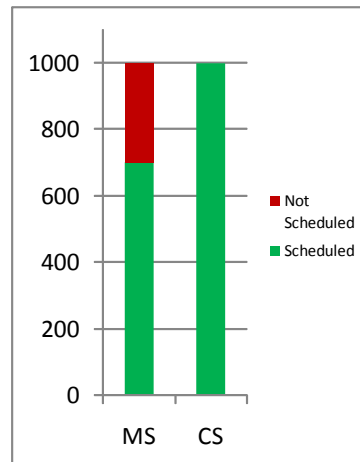|	Hour 0	Hour 1
Total Imports	0	0
Total Exports	0	700 (NISL)
Total Net IS	0	-700 (NISL)
Net Hourly Change		-700 (NISL respected)

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

- Starting point: 0 MW scheduled in MS and CS
- HE 1: $P_D MCP$ = $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

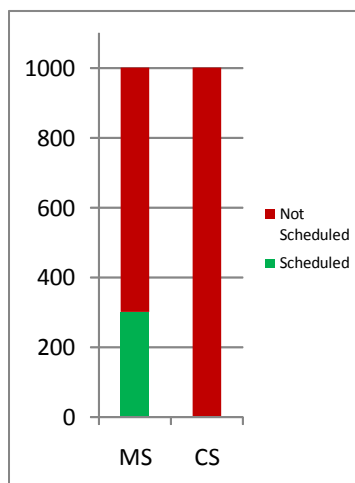|	Hour 0	Hour 1
Total Imports	0	0
Total Exports	0	700 (NISL)
Total Net IS	0	-700 (NISL)
Net Hourly Change		-700 (NISL respected)

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ILLUSTRATIVE EXAMPLES

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

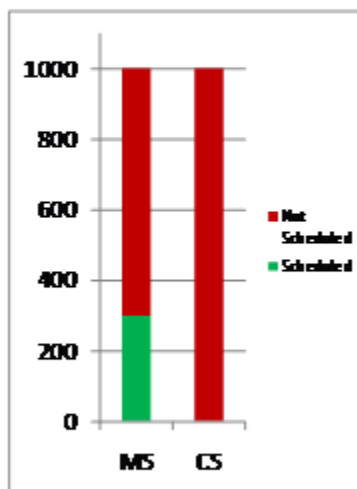|	Hour 0	Hour 1
Total Imports	0	0
Total Exports	1000	300 (NISL)
Total Net IS	-1000	-700 (NISL)
Net Hourly Change		-700 (NISL respected)

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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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