



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 licence. 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>416 506-2801</u>	Fax: <u>416 506-2847</u>
E-mail Address: <u>rule.amendments@ieso.ca</u>	

¹ This number is a maximum of 12 characters and does not include any spaces or underscore.

PART 2 – MARKET RULE AMENDMENT SUBMISSION INFORMATION

Subject: <u>Operating Reserve Requirements</u>
Title: <u>Regional Reserve Sharing</u>
Nature of Request (please indicate with x)
<input checked="" type="checkbox"/> Alteration <input type="checkbox"/> Deletion <input type="checkbox"/> Addition <input type="checkbox"/> Clarification
Chapter: <u>5</u> Appendix: _____ Sections: <u>4.5</u>
Sub-sections proposed for amending/clarifying: <u>4.5.6B (new), 4.5.8</u>

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*.

The Northeast Power Coordinating Council (NPCC) is one of ten Regional Reliability Councils responsible for the implementation in a specific region of industry-wide reliability standards established by the North American Electric Reliability Council (NERC). As a member of NPCC, the IESO is required to operate in accordance with all applicable reliability standards.

Section 4.5 of Chapter 5 of the market rules requires the IESO to maintain sufficient operating reserves to offset unanticipated changes in energy supply and demand. The IESO must carry ten-minute operating reserve equal to its largest single contingency loss. When energy supply or demand changes suddenly, the IESO activates its operating reserves to counteract the contingency. On June 1, 2005, the NPCC Reliability Coordinating Committee gave approval for the implementation of an NPCC Regional Reserve Sharing (RRS) program that will allow for the sharing of ten-minute non-synchronized operating reserve among participating control areas. The primary objective of the RRS program is to maintain reliability and meet contingency recovery requirements while decreasing individual control area ten-minute non-synchronized operating reserve requirements. Reserve sharing groups already exist in other NERC regions, including the Southwest Power Pool (SPP) Region and the East Central Area Reliability Coordination Agreement (ECAR) Region. Initially, the areas that will be participating in the program are the IESO, NYISO, ISO-NE and the Maritimes.

Participation in the Regional Reserve Sharing program is voluntary. Under the RRS program, each participating control area will, subject to availability and deliverability, share 100 MW of ten-minute non-synchronized operating reserve and count a contribution of 50 MW towards its ten-minute non-synchronized reserve requirement. This would have the effect of each control area reducing their domestic supply of ten-minute non-synchronized operating reserve requirement by 50 MW. The IESO would schedule ten-minute operating reserve equal to the largest single contingency loss less 50 MW, provided that the RRS energy is available and deliverable. When RRS energy is required following a contingency, the IESO will receive 100 MW from participating control areas. The energy associated with the RRS program can only be utilized after Shared Activation of Reserve (SAR) has been activated and can be retained for 60 minutes after SAR is terminated. The existing SAR methods/tools

PART 3 – DESCRIPTION OF THE ISSUE

will be used to implement RRS procedures and NYISO will act as the coordinator of the program, continually monitoring the availability and deliverability of RRS energy among NPCC members that are participating in the RRS program. The IESO would declare itself not able to participate in the RRS program when the associated energy is undeliverable due to transmission constraints or when the associated MW quantity is not available due to resource constraints.

The IESO solicited stakeholder feedback on the IESO's proposed participation in the RRS program at several Market Operations Standing Committee meetings during 2003-2005. Some market participants raised concerns that a reduction in domestic resources scheduled to meet IESO reserve requirements may have a negative impact on the reliability of the IESO-controlled grid. NPCC conducted a study to examine the increased probability of an adverse reliability event occurring with the implementation of RRS. The results of the study indicated that the probability of an adverse event occurring increased from once in every 1,114 years to once in 1,079 years with the implementation of RRS. Based on these results, NPCC concluded that the RRS program would have no significant impact on reliability. The IESO will monitor the impact on reliability of this program and will opt out of the program if any significant adverse reliability impacts are identified.

At the Market Operations Standing Committee meeting on April 20, 2005, the IESO indicated that participation in the RRS program may result in the increased use of voltage reductions to recover from generation contingencies. This potential for the increased use of voltage reductions was based on the expectation that RRS would be approved by NPCC for a reduction of 100 MW of ten-minute operating reserve requirement. Since the RRS program approved by NPCC allows for a reduction of only 50 MW of ten-minute operating reserve requirement, the IESO does not anticipate that the use of voltage reductions will increase as a result of participation in the RRS program.

The IESO supports participation in the RRS program because it should result in a slight decrease in market prices (for both operating reserve and, to a lesser degree, energy prices) without having a significant impact on reliability. Also, there are no incremental costs associated with participation in the RRS program since the RRS procedures will be implemented using the existing SAR methods/tools. The NPCC Task Force on Coordination of Operation will conduct a review of the impact of the RRS program following the first six months of implementation. Future increases or changes to the RRS program will require NPCC Reliability Coordinating Committee approval.

PART 4 – PROPOSAL (BY SUBMITTER)

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

Amend section 4.5 of Chapter 5 by adding a provision that allows the IESO to participate in the NPCC Regional Reserve Sharing program. Participation in the RRS program allows the IESO to:

- share 100 MW of ten-minute non-synchronized operating reserve in the event of a contingency loss, and
- count a contribution of allowed MW towards its ten-minute non-synchronized operating reserve requirements thereby reducing domestic supply of ten-minute non-synchronized operating reserve requirement by that amount.

PART 5 – FOR IESO USE ONLY

<i>Technical Panel</i> Decision on Rule Amendment Submission: _____	
MR Number: <u>MR-00299</u>	
Date Submitted to <i>Technical Panel</i> : <u>August 18, 2005</u>	
Accepted by <i>Technical Panel</i> as: (please indicate with x)	Date:
<input checked="" type="checkbox"/> General <input type="checkbox"/> Urgent <input type="checkbox"/> Minor	<u>August 23, 2005</u>
Criteria for Acceptance: <u>It identifies means to better enable the market to satisfy the market design principles. Market efficiency will be enhanced by requiring fewer domestic resources to meet operating reserve requirements while maintaining reliability.</u>	
Priority: <u>Medium</u>	
Criteria for Assigning Priority: <u>The need for the change is not generally accepted.</u>	
Not Accepted (please indicate with x): <input type="checkbox"/>	
Clarification/Interpretation Required (please indicate with x): <input type="checkbox"/>	
<i>Technical Panel</i> Minutes Reference: <u>IESOTP 168-1</u>	
<i>Technical Panel</i> Comments: <u>The Technical Panel requested that the price impacts of reducing the domestic supply of operating reserve by 50 MW be quantified. This request was made so that stakeholders are aware of the price impacts prior to submitting comments on the proposed amendment. The Technical Panel also requested that the amendment specify the MW quantity reduction and the type of operating reserve to which that reduction applies. This second request was made to ensure that any changes to the regional reserve sharing program are sufficiently stakeholdered.</u>	