



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>	

PART 2 – MARKET RULE AMENDMENT SUBMISSION INFORMATION

Subject: <u>Day-Ahead Commitment Process</u>	
Title: <u>Reliability Guarantees (Settlement of the Day-Ahead Commitment Process)</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>9</u> Appendix: _____ Sections: <u>Various (TBD)</u>	
Sub-sections proposed for amending/clarifying: _____	

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*.

While a day-ahead commitment of internal and external resources would be best accomplished through a day-ahead market in Ontario as all neighbouring markets have, the design, approval and implementation of such a market is not feasible before the summer of 2006. The IESO is proposing instead to use existing market mechanisms as much as possible and provide financial guarantees, to achieve at least some of the reliability benefits through a Day-Ahead Commitment Process. This amendment submission defines the scope of the market rule amendments for the settlement component of the Day-Ahead Commitment Process.

The primary objectives of the Day-Ahead Commitment Process are to provide greater assurance that sufficient resources are committed day-ahead to meet forecast reliability needs in real-time. This assurance is to be accomplished through measures to address reliability needs for Ontario's power system in 2006. The design provides a day-ahead commitment process with financial guarantees referred to as reliability guarantees. The design proposes to improve the opportunities for the scheduling of imports, reduce import failures in real-time, and ensure sufficient internal generation resources are on line in real-time to satisfy reliability needs. For further information please refer to MR-00303-Q00: Day-Ahead Commitment Process – Data Submission and MR-00304-Q00 Day-Ahead Commitment Process – Pre-Dispatch Scheduling and Commitment. Additional information regarding these reliability needs and the high-level Day-Ahead Commitment process design can also be found at http://www.ieso.ca/imoweb/consult/consult_isr.asp.

PART 4 – PROPOSAL (BY SUBMITTER)

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

It is proposed to amend the market rules in Chapter 9 “Settlements and Billing” to implement the settlement of the day-ahead commitment process. Specifically, it is proposed that eligible resources inside Ontario and import transactions would have access to day-ahead reliability guarantees. The two types of reliability guarantees are as follows:

- 1) The Day-Ahead Generation Cost Guarantee (DAGCG) for eligible, internal generation resources that are committed in the Day-Ahead Commitment Process; and
- 2) The Day-Ahead Intertie Offer Guarantee (DAIOG) for import transactions scheduled in the Day-Ahead Commitment Process.

In addition, two additional settlement mechanisms are also proposed:

- 1) A means of compensating internal generation resources that are committed in the Day-Ahead Commitment Process that have incurred a financial loss for securing fuel which is not used by the facility due to a de-commitment event initiated by the IESO;
- 2) An Import Failure Charge which is designed to require market participants arranging import transactions in the Day-Ahead Commitment Process to provide payments to the IESO-administered markets in the event that those import transactions do not fully materialize in the

PART 4 – PROPOSAL (BY SUBMITTER)

real-time market.

These proposed reliability guarantees and the two additional settlement mechanisms are described more fully in the high-level Day-Ahead Commitment process design which can also be found at http://www.ieso.ca/imoweb/consult/consult_isr.asp.

Consequential Amendments

The following rule amendments are consequential to the development of the Day-Ahead Commitment Process.

Data Inputs

It is proposed to insert new sub-sections to chapter 9, section 3 in order to enumerate the various settlement data inputs required from the day-ahead commitment process such as:

- Prices and schedules from the pre-dispatch of record (a sub-process of the day-ahead commitment process);
- Import offer prices used by the pre-dispatch of record; and
- Day-Ahead Combined Guaranteed Costs used by the DAGCG calculation;
- Financially-binding status of day-ahead import transactions;
- IESO de-commitment orders related to generation resources that have elected for the DAGCG in the Day-Ahead Commitment Process; and
- Exemptions from the Day-Ahead Import Failure Charge.

IOG Offset Process

It is proposed to amend section 3.8A of Chapter 9 to reflect that changes to the existing real-time market IOG Offset settlement process may be necessary in order to accommodate DAIOG. Similar to imports arranged in the real-time market, DAIOG payments may be offset if the market participant arranges a complementary export transactions in the real-time market so as to effectively create a “wheel-through” transaction. This measure needs to be taken to prevent the extraction of real-time IOG or DAIOG payments from the IESO-administered markets due to “wheel-through” transactions that require no financial risk to be taken by the trader.

Real-time Generation Cost Guarantee Payments

It is proposed to amend section 4.7B of Chapter 9 by providing decision rules for the situation in which a market participant may be eligible to receive a DAGCG payment and a real-time generation cost guarantee payment during the same trading day. In particular, the rules will need to reflect that these two settlement amounts should not apply to the same generation start-up event.

Allocation of DAIOG uplift settlement amount

It may be necessary to amend section 3.9.1 of Chapter 9 by expanding the current definition of hourly uplift to accommodate the allocation of Day-Ahead Intertie Offer Guarantee (DAIOG) costs. As an alternative, DAIOG costs may be allocated as a separate non-hourly uplift settlement amount. The precise proposal is currently being formulated and will be detailed in the market rule amendment proposal.

PART 4 – PROPOSAL (BY SUBMITTER)

Allocation of DAGCG uplift settlement amount

It is proposed to amend section 4 of Chapter 9 to institute a non-hourly uplift settlement amount to offset the costs of the Day-Ahead Generation Cost Guarantee. The Day-Ahead Generation Cost Guarantee is currently proposed as a monthly settlement amount. The proposal would recover these amounts from internal loads and exports on the basis of allocated quantities of energy withdrawn over the course of the real-time market billing period, like any other existing non-hourly uplift charge.

Allocation of uplift settlement amount for supplemental claims for de-commitment events related to the DAGCG:

It is proposed to amend section 4 of Chapter 9 to allocate an uplift settlement amount to recover the costs of compensating DAGCG-eligible generators for any successful claims encompassing demonstrated financial losses for securing fuel not expended by the generation resource as a result of an IESO de-commitment event. The proposal would utilize allocated quantities of energy withdrawn (encompassing both internal loads and exports) over the course of the real-time market billing period.

Allocation of Day-Ahead Import Failure Charge uplift settlement amount:

It is proposed to amend section 4 of Chapter 9 to facilitate the allocation of day-ahead import failure charge. This uplift amount would remit any settlement amounts collected from importers over the course of the real-time market billing period to allocated quantities of energy withdrawn (encompassing both internal loads and exports).

PART 5 – FOR IESO USE ONLY

Technical Panel Decision on Rule Amendment Submission: _____

MR Number: MR-00305

Date Submitted to *Technical Panel*: November 24, 2005

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

Date:

General Urgent Minor

November 29, 2005

Criteria for Acceptance:

It identifies an IESO-controlled grid operating reliability concern. In the summer of 2005 the IESO resorted to the use of Emergency Control Actions on numerous occasions. The existing market rules do not fully facilitate the scheduling and delivery of imports nor the commitment of internal resources necessary to assure the reliable operation of the IESO-controlled grid and avoid the need for the IESO to resort to emergency control actions. This situation should not be sustained on into the future.

Priority: High

Criteria for Assigning Priority:

1. **Pervasiveness of the problem. In the summer of 2005 the IESO resorted to the use of Emergency Control Actions to maintain the reliable operation of the IESO-controlled grid including the use of voltage reductions and with the amendments proposed by MR-00305-Q00 the necessity to resort to control actions might have been avoided. Voltage reductions have an impact on all consumers of electricity in Ontario and are indicative of the nature and the severity of the reliability issues which require resolution. The IESO believes that the existing system conditions will not improve and in fact may worsen by the summer of 2006 if corrective actions, including the Day-Ahead Commitment Process, are not taken. The number of affected market participants and the significant nature of these impacts indicate that this amendment is a high priority.**
2. **Practical consequences. A failure by the IESO-administered markets to resolve the identified reliability issues may cause the Ontario government to take alternative actions to improve reliability in Ontario. This consideration suggests that the issue needs to be addressed in a timely manner and solutions need to be in place prior to the next period of anticipated electricity system stress.**

Not Accepted (please indicate with x):

Clarification/Interpretation Required (please indicate with x):

Technical Panel Minutes Reference: IESOTP 174-1

Technical Panel Comments: _____