



Market Rule Amendment Proposal

PART 1 – MARKET RULE INFORMATION

Identification No.:	MR-00306-R00		
Subject:	Congestion Management Settlement Credits (CMSC)		
Title:	Constrained off CMSC Payments in Designated Watch Zones		
Nature of Proposal:	<input checked="" type="checkbox"/> Alteration	<input type="checkbox"/> Deletion	<input type="checkbox"/> Addition
Chapter:	7	Appendix:	7.6
Sections:	1.2		
Sub-sections proposed for amending:	1.2.1A, 1.2.1B, 1.2.1C and 1.2.1D		

PART 2 – PROPOSAL HISTORY

Version	Reason for Issuing	Version Date
1.0	Submit for Technical Panel Review	February 8, 2006
2.0	Publish for Stakeholder Review and Comment	February 15, 2006
3.0	Submit for Technical Panel Review	April 5, 2006
4.0	Publish for Stakeholder Review and Comment	April 11, 2006
5.0	Submit for Technical Panel Review and Vote	May 18, 2006
6.0	Recommended by Technical Panel and Submitted to IESO Board for Approval	May 24, 2006
7.0	Approved by IESO Board	June 8, 2006
Approved Amendment Publication Date:	June 9, 2006	
Approved Amendment Effective Date:	July 1, 2006	

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

This amendment proposes to authorize the IESO to identify and reduce certain constrained off congestion management settlement credit (CMSC) payments. Specifically, this amendment proposal would:

- authorize the IESO to use an analysis to be set out in a market manual to establish designated constrained off watch zones, to revoke such designations, and to identify persistent and significant CMSC payments for constrained off events within designated constrained off watch zones; and
- authorize the IESO to use the price investigation process described in section 1.4 of Appendix 7.6 to determine if reductions to those identified CMSC payments are then required.

This proposed amendment is required because the local market power screens alone have not been effective in the investigation of bids and offers relating to CMSC payments for persistent constrained off events, as these situations do not necessarily result from the existence of local market power.

Under the amended rules for a reduction in constrained off CMSC payments to take place for these constrained off events the IESO:

- would first have to designate a constrained off watch zone;
- determine that persistent and significant CMSC payments exist within the designated constrained off watch zone; and
- undertake the investigation prescribed in section 1.4 of Appendix 7.6 and determine that an adjustment is warranted.

Background

The IESO's Market Assessment Unit (MAU) has identified actual circumstances where import offers or exports bids result in constrained off CMSC payments that are inconsistent with market design principles and the intent of these payments. Some market participants have consistently offered imports and bid exports at prices that lie between the shadow price near the intertie and the Ontario market clearing price. As a result, the transaction is consistently scheduled in the market schedule but not in the constrained schedule, and the market participant receives a constrained off CMSC payment.

The MAU questioned the appropriateness of making constrained off CMSC payments to a market participant calculated in the usual manner for a transaction that is consistently and predictably constrained off by the IESO. In particular, are such payments appropriate if the transaction would not have been economic based on external market prices? The MAU pointed out that these CMSC payments are not consistent with the market design principle of efficiency, which states that: "The market should promote allocative, productive and dynamic efficiency in the provision of electricity by

PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

minimizing the total resource costs of providing power to all customers”. The Market Surveillance Panel (MSP) asked the MAU to seek a market rule amendment to deal with the issue.

An issue paper on the subject was prepared and is attached to the market rule amendment submission document MR-00306-Q00, located at the following web location:

http://www.theimo.com/imoweb/pubs/mr/MR_00306-Q00.pdf

CMSC payments result in higher costs to the market through increased uplift. The issue paper notes, by way of an example, that in one six month period in 2005 about \$7 million was paid out to importers for constrained off imports that may have been contrary to market design principle of efficiency (See footnote on page 1 of the issue paper.)

Increased supply contributes to a lower market clearing price, and increased demand contributes to a higher market clearing price. However, neither are beneficial to the market if they are persistently constrained off because they impact the market clearing price with little possibility of actual delivery.

Under existing market rules, before undertaking an analysis to determine if an adjustment to a CMSC payment is appropriate, the IESO must first undertake an initial investigation using local market power screens to determine if local market power exists. These screens are described in section 1.3 of Appendix 7.6. The local market power screens have not been effective in the investigation of bids and offers in those cases of CMSC payments for constrained off supply and demand just described, as these situations do not necessarily result from the existence of local market power.

The IESO considered alternative solutions and discussed them with affected stakeholders. Proposals ranged from automatic settlement-based solutions that would impact all constrained off intertie transactions, to case-by-case investigations of each possible instance of the identified behaviour. The automatic solution was discounted by stakeholders at working sessions since they asserted it would be inappropriate for all constrained off intertie transactions to be affected by a proposal intended to address the behaviour of just a few market participants, and because valid alternative pricing could not be established in many cases. The IESO concurred with this stakeholder feedback, developed a proposal, and posted draft rule amendments for stakeholder review and comment. Originally the IESO proposed rule amendments that dealt only with imports and exports. Several written submissions expressed concern with inequitable treatment between external participants (boundary entities) and generation within Ontario. That is, the proposed rule applied only to intertie traders and not to internal generators¹. As a result of this concern, the IESO has revised the proposal so that it applies equally to all dispatchable facilities (i.e. to boundary entities, generation and loads). The Stakeholder Engagement Plan and record of discussions with stakeholders relating to the issue may be found at the following web location: http://www.ieso.ca/imoweb/pubs/consult/se10/se10_CO-stakeholder-plan-r2.pdf.

The written submissions received on the draft amendment proposal may be found on the Current Market Rule Amendment page at the following web location under MR-00306:

http://www.theimo.com/imoweb/amendments/mr_Amendments.asp

¹ The proposed rules had been drafted to apply to boundary entities (i.e. to constrained off imports and exports) because the issue arose as a result of transactions involving these facilities only.

PART 3 – EXPLANATION FOR PROPOSED AMENDMENT**Discussion**

Additional stakeholding has led to the development of a proposed solution that would use the price investigation process and CMSC adjustments specified in section 1.4 of Appendix 7.6 as the means to address these constrained off events. Market participants are familiar with the price investigation process of section 1.4 and have confidence in its rigour and fairness. It allows for further analysis by the IESO, notification to the market participant that a price investigation is underway, and provides opportunity for the market participant to provide an explanation for the price that is under investigation.

This amendment proposal would:

- authorize the IESO to use an analysis to be set out in a market manual to establish designated constrained off watch zones, to revoke such designations, and to identify persistent and significant payments for constrained off events within designated constrained off watch zones; and
- authorize the IESO to use the price investigation process described in section 1.4 of Appendix 7.6 to determine if adjustments to CMSC payments are required.

Constrained-off watch zones may be designated for injections, withdrawals or both. They may be designated for injections (e.g. for monitoring imports and generation) if nodal prices are materially and predictably below the market price for energy (e.g. HOEP), or if pre-dispatch nodal and uniform price differences are large. They may be designated for withdrawals (e.g. for monitoring exports and dispatchable loads) if nodal prices are materially and predictably above the market price for energy. The finding of persistent and significant payments for constrained off events could occur only within a designated watch zone. The amendment applies equally to all dispatchable facilities (i.e. to boundary entities, Ontario generation and loads).

The advantage of using designated zones is that it would apply only in areas where it was considered to be warranted. To enable this solution, section 1.2, Investigation of Local Market Power, would be renamed, Investigation of Local Market Power and Constrained Off Events, and amended to include these authorities. See the proposed new section 1.2.1A. The market manual would contain:

- criteria for designating constrained off watch zones, criteria for revoking such designations and criteria for determining persistent and significant payments for constrained off events within a designated constrained off watch zone; and
- the manner for determining an initial estimated replacement price for the price that is under investigation.

Given that there are over a 100,000 dispatch intervals in a year, with potentially more CMSC payments per interval to review annually, areas of the province where constrained off CMSC payments are highest and most likely should be monitored more closely than areas where CMSC payments are less prevalent. Therefore, the development of the above mentioned criteria within the market manual would be guided by the following principles that are contained in a proposed new section 1.2.1B:

- areas within Ontario where nodal prices are materially different from the market price for energy for extended periods of time should be designated constrained off watch zones; and
- constrained off events that occur regularly over longer periods of time and /or involving larger congestion management settlement amounts (i.e. less frequent but more material) are more likely to be considered persistent and significant, justifying further analysis.

PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

The proposed principle applies to both “persistent” and “significant” constrained off events to recognize that constrained off events that occur less frequently but involving larger CMSC payments (i.e. those that are characterized as significant) may have equal monetary impact as constrained off events that occur more frequently but involve lower CMSC payments (i.e. those that are characterized as persistent).

The development of the initial estimated replacement price for the investigated price would be guided by the principle that the market participant should be financially indifferent to being constrained off relative to the profit it would have earned under the market schedule, with due regard to the other considerations set out in the proposed rule.

The proposed rule amendment would enable the IESO to identify cases where persistent and significant constrained off CMSC payments exist. A further analysis (i.e. the price investigation of section 1.4) would then be undertaken to determine if the payments are inappropriate, warranting the recalculation of the CMSC payments. See the proposed new section 1.2.1C.

The IESO would monitor system conditions and publish any changes in the status of the constrained off watch zones before they take effect. Market participants may request a review of the status of such a watch zone stating its reasons for wanting the review. The IESO would undertake the review if it considered the review to be warranted. See the proposed new section 1.2.1D.

As part of this initiative, in response to stakeholder requests and in an effort to improve market transparency, the IESO plans, subject to information confidentiality requirements, to publish more information on constrained off CMSC payments by watch zone.

If the CMSC payments are found not to be persistent and significant within a watch zone, they would continue to be subject to the local market power screens of section 1.3 as under the current practice.

The determinations under the proposed rules are based on the results of events, rather than on the intent of the market participant. Establishing the intent of a market participant is difficult and, in any event, irrelevant to the promotion of the market design principle of efficiency. This approach is consistent with the recently approved market rules under MR-00295: Clarify Local Market Power Mitigation at the following web location under:

http://www.theimo.com/imoweb/pubs/mr/MR_00295-R00_BA.pdf

Amendment proposal MR-00306-R01 contains the amendments to section 1.4, Price Investigation, that are necessary to ensure that constrained off events determined to result in persistent and significant CMSC payments are afforded the same treatment under the price investigation of section 1.4 as are other constrained on and constrained off events.

Amendment proposal MR-00306-R02 contains a definition for “designated constrained off watch zones”.

PART 4 – PROPOSED AMENDMENT

Appendix 7.6 – Local Market Power

1.1 Dispatch of Constrained Off Facilities and Constrained On Facilities

1.1.1 The *IESO* shall, pursuant to this Chapter 7, *dispatch a registered facility* as a *constrained on facility* or a *constrained off facility* when, without such action, the *reliability* of the *IESO-controlled grid* cannot be maintained due to a transmission flow constraint on the *IESO-controlled grid* or a *security limit*. The *IESO* shall *dispatch registered facilities* as *constrained on facilities* and *constrained off facilities* in such economic merit order as will enable it to meet its *reliability* obligations under these *market rules* at the lowest cost.

1.1.2 [Intentionally left blank – section deleted]

1.1.3 Subject to section 9.4.5 of Chapter 7 and sections 1.4.5.1 and 1.6.7.1, each *constrained on facility* or *constrained off facility* shall, in addition to such other *settlement* credits to which it may be entitled in accordance with Chapter 9, receive a congestion management *settlement* credit calculated in accordance with section 3.5.2 of Chapter 9.

1.2 Investigation of Local Market Power and Constrained Off Events

1.2.1 Subject to sections [1.2.1C](#), 1.2.2 ~~and or~~ 1.2.6, where the *IESO* determines that a *constrained on event* or *constrained off event* may have occurred, the *IESO* shall conduct the analyses referred to in section 1.3 to establish whether local market power existed and as a preliminary step in determining whether the re-calculation of the congestion management *settlement* credit referred to in section 1.1.3 is justified.

[1.2.1A](#) For purposes of establishing *designated constrained off watch zones* and for identifying persistent and significant *constrained off events* within *designated constrained off watch zones*, the *IESO* shall conduct the analysis set out in the *applicable market manual*.

The *market manual* shall include but not necessarily be limited to a description of:

- criteria for identifying *designated constrained off watch zones* and for revoking such designations;

- criteria for determining persistent and significant congestion management settlement credit payments for constrained off events within designated constrained off watch zones; and
- the manner for determining an initial estimated replacement price for the investigated price.

1.2.1B When developing the criteria referred to in section 1.2.1A, the *IESO* shall be guided by the following principles:

- areas within Ontario where nodal energy prices are materially different from the price of energy in either the pre-dispatch schedule or the real-time schedule are more likely to be designated constrained off watch zones; and
- constrained off events that occur more frequently over periods of time or that occur less frequently but involve larger congestion management settlement credit payments are more likely to be considered persistent and significant, justifying the price investigation analysis referred to in section 1.4.1.

When developing the initial estimated replacement price for the investigated price referred to in section 1.2.1A, the IESO shall be guided by the principle that the market participant should be financially indifferent to being constrained off relative to the profit it would have earned under the market schedule, with due consideration to the following:

- recent offers or bids submitted by the market participant;
- market prices in neighbouring jurisdictions;
- market participant costs as estimated through information provided by the market participant;
- in the case of energy limited resources, an assessment of opportunity costs; and
- any other information considered relevant by the IESO.

1.2.1C If after completing the analysis prescribed by section 1.2.1A, the *IESO* determines that a market participant received persistent and significant congestion management settlement credit payments for constrained off events in one or more constrained off watch zones, the *IESO* shall conduct the analysis referred to in section 1.4.1 to determine whether the investigated price justifies the re-calculation of the congestion management settlement credit referred to in section 1.1.3.

1.2.1D The *IESO* shall monitor conditions on the *IESO-controlled grid* and publish any changes in the status of the designated constrained off watch zones before they take effect. Market participants may request a review of such designations,

stating reasons for requesting the review, and the IESO shall undertake such review unless in its judgement the review is considered to be unwarranted.

- 1.2.2 The IESO shall not be required to conduct the ~~analysis~~analyses referred to in sections 1.2.1 or 1.2.1A if the IESO anticipates that:
- 1.2.2.1 the maximum adjustment to the congestion management *settlement* credit referred to in section 1.1.3 that may be effected on the basis of such analyses and of the analysis referred to in section 1.4.1 would not exceed the threshold amount *published* by the IESO pursuant to section 1.2.3; or
 - 1.2.2.2 the impact of the price contained in the *energy bid* or the *energy offer* submitted by the *constrained on facility* or the *constrained off facility* is, in the IESO's opinion, not material.
- 1.2.3 The IESO shall determine and *publish* the threshold amount referred to in section 1.2.2.1, which shall be the minimum amount of an adjustment to a congestion management *settlement* credit referred to in section 1.1.3 that will, subject to sections 1.2.2.2 and 1.2.6, trigger an obligation on the IESO to conduct the analyses referred to in sections 1.2.1 and/or 1.2.1A.
- 1.2.4 [Intentionally left blank – section deleted]
- 1.2.5 [Intentionally left blank – section deleted]
- 1.2.6 Where the IESO cannot, for any reason, conduct the analyses referred to in section 1.3 in the manner described in that section, it may conduct such other analyses as it determines appropriate either prior to conducting the analysis described in section 1.4.1, if any, or as part of such analysis.
- 1.2.7 Where section 1.2.6 applies:
- 1.2.7.1 the IESO shall cease investigation of the *investigated price* where the IESO determines that the results of the analyses do not justify the re-calculation of the congestion management *settlement* credit referred to in section 1.1.3; or
 - 1.2.7.2 the IESO shall conduct the analysis referred to in section 1.4.1 where the IESO determines that the results of the analyses referred to in section 1.2.6 reveal that the *investigated price* may justify the re-calculation of the congestion management *settlement* credit referred to in section 1.1.3.

PART 5 – IESO BOARD DECISION RATIONALE

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PART 5 – IESO BOARD DECISION RATIONALE

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Market Rule Amendment Proposal

PART 1 – MARKET RULE INFORMATION

Identification No.:	MR-00306-R01		
Subject:	Congestion Management Settlement Credits (CMSC)		
Title:	Constrained off CMSC Payments in Designated Watch Zones		
Nature of Proposal:	<input checked="" type="checkbox"/> Alteration	<input type="checkbox"/> Deletion	<input type="checkbox"/> Addition
Chapter:	7	Appendix:	7.6
Sections:	1.4		
Sub-sections proposed for amending:	1.4.1, 1.4.3, 1.4.5 and 1.4A		

PART 2 – PROPOSAL HISTORY – SEE MR-00306-R00

Version	Reason for Issuing	Version Date
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

See MR-00306-R00

Background

See MR-00306-R00

Discussion

To ensure that market participants are afforded the same treatment under the price investigation of section 1.4, amendments are required to the following sections as a consequence of the amendments to section 1.2 under MR-00306-R00.

Section 1.4.1 is amended to enable other considerations that would be set out in a market manual to be considered in the determination of whether the investigated price of a constrained off event involving an *investigated facility* justifies re-calculation of the CMSC payment.

Section 1.4.3.2 is amended to allow a market participant to request that the IESO replace an investigated price that may justify a re-calculation of the CMSC payment with an alternate replacement price.

Section 1.4.5.1 is amended to enable the IESO to replace the investigated price with an initial replacement price that is determined in a manner as set out in the applicable market manual or to use such other value as may be agreed to by the IESO and the market participant.

Section 1.4A is amended to include the criteria listed in that section as justification for the re-calculation of the CMSC payment for persistent constrained off events involving *investigated facilities*.

PART 4 – PROPOSED AMENDMENT**1.4 Price Investigation**

1.4.1 Subject to section 1.4.2, the *IESO* shall conduct an analysis of such factors that the *IESO* considers relevant to a determination of whether the *investigated price* justifies the re-calculation of the congestion management *settlement credit* referred to in section 1.1.3, which factors may include:

- 1.4.1.1 the price, and variations in the price, of the fuel used by the *investigated facility*;

- 1.4.1.2 the degree to which the prices contained in the *energy offers* or *energy bids* submitted by the *registered market participant* for the *investigated facility* and accepted by the *IESO*, as reflected in the *market schedules* for that *investigated facility*, have varied over time;
- 1.4.1.3 [Intentionally left blank – section deleted]
- 1.4.1.4 market prices and variations in market prices in neighbouring jurisdictions; ~~and~~
- 1.4.1.5 opportunity costs for energy-limited resources; ~~and-~~
- 1.4.1.6 for investigations of *constrained off events in designated constrained off watch zones* prescribed in section 1.2.1A, such other considerations as set out in the applicable *market manual*.
- 1.4.2 The *IESO* shall not be required to conduct the analysis referred to in section 1.4.1 and shall cease investigation of the *investigated price* if, in the *IESO*'s opinion:
- 1.4.2.1 the *IESO* does not have sufficient reliable information upon which to base the determination referred to in section 1.4.1;
- 1.4.2.2 the level of effort that would be required to conduct the analysis is large relative to the materiality of the anticipated impact of the *investigated price*; or
- 1.4.2.3 the conduct of the analysis would constitute an inefficient utilization of the *IESO*'s resources, having regard to the *IESO*'s other activities and to the desire to allocate resources to the investigation of *energy offers* and *energy bids* that are most likely to require remedial action pursuant to this Appendix.
- 1.4.3 Where, based on the analysis conducted in section 1.4.1 and on the criteria specified in section 1.4A, the *IESO* determines that:
- 1.4.3.1 the *investigated price* does not justify the re-calculation of the congestion management *settlement* credit referred to in section 1.1.3, the *IESO* shall, subject to section 1.8, cease investigation of the *investigated price*; or
- 1.4.3.2 the *investigated price* may justify the re-calculation of the congestion management *settlement* credit referred to in section 1.1.3, the *IESO* shall provide the *registered market participant* for the *investigated facility* with a reasonable opportunity to make representations as to why the *investigated price* does not justify the re-calculation of the congestion management *settlement* credit referred to in section 1.1.3. As part of its representations, the *registered market participant* may request that the *IESO* apply for the purpose of replacing the *investigated price* pursuant to section 1.4.5.1:

a. alternate high end or low end values in place of those prescribed by section 1.3.8, or

b. an alternate replacement price to the initial estimated replacement price referred to in section 1.2.1A.

~~for the purpose of replacing the investigated price pursuant to section 1.4.5.1.~~

1.4.4 Where, following a consideration of any representations made by the *registered market participant* for the *investigated facility* pursuant to section 1.4.3.2, the *IESO* determines that the *investigated price* does not justify the re-calculation of the congestion management *settlement* credit referred to in section 1.1.3, the *IESO* shall, subject to section 1.8, cease investigation of the *investigated price*.

1.4.5 Where, following a consideration of any representations made by the *registered market participant* for the *investigated facility* pursuant to section 1.4.3.2 and based on the criteria specified in section 1.4A, the *IESO* determines that the *investigated price* justifies the re-calculation of the congestion management *settlement* credit referred to in section 1.1.3:

1.4.5.1 the *IESO* shall replace the *investigated price* with the following as applicable, or such other value as may be agreed to by the *IESO* and the *market participant*:

a. in the case of a *constrained on generation unit* or a *constrained off dispatchable load*, the high end of the range determined in accordance with section 1.3.8.1 ~~or such other value as may be agreed to by the *IESO* and the *market participant*; or~~

b. in the case of a *constrained off generation unit* or a *constrained on dispatchable load*, the low end of the range determined in accordance with section 1.3.8.2 ~~or such other value as may be agreed to by the *IESO* and the *market participant*; or~~

c. [Intentionally left blank – section deleted]

d. in the case of persistent and significant constrained off events within designated constrained off watch zones, the initial estimated replacement price referred to in section 1.2.1A, or

1.4.5.2 the *IESO* may commence an inquiry pursuant to section 1.6.1.

1.4.5A Where section 1.4.5.1 applies, the *IESO* shall:

1.4.5A.1 re-calculate the congestion management *settlement* credit referred to in section 1.1.3 on the basis of the price referred to in section 1.4.5.1; and

1.4.5A.2 provide notice to the *registered market participant* for the *investigated facility* specifying:

- a. the grounds and associated information upon which the *IESO* is relying in support of its intention to use, for *settlement* purposes, the re-calculated congestion management *settlement* credit referred to in section 1.4.5A.1;
 - b. an estimate of the replacement price for the *investigated price* referred to in section 1.4.5.1; and
 - c. the right of the *registered market participant* to request, within five *business days* of the date of receipt of the notice, an inquiry pursuant to section 1.6.1.
- 1.4.6 Where, following a consideration of any representations made by the *registered market participant* for the *investigated facility* pursuant to section 1.4.3.2 and the criteria specified in section 1.4A, the *IESO* determines that the *investigated price* may justify the re-calculation of the congestion management *settlement* credit referred to in section 1.1.3, the *IESO* may commence an inquiry pursuant to section 1.6.1.
- 1.4.7 [Intentionally left blank – section deleted]
- 1.4.7.1 [Intentionally left blank – section deleted]
- 1.4.7.2 [Intentionally left blank – section deleted]
- 1.4.7.3 [Intentionally left blank – section deleted]
- 1.4.8 Where a *registered market participant* requests an inquiry pursuant to section 1.4.5A.2c within the time referred to in that section, the *IESO* shall not take any action pursuant to section 1.4.5.1 and shall conduct an inquiry pursuant to section 1.6.1.
- 1.4.9 Where a *registered market participant* does not request an inquiry pursuant to section 1.4.5A.2c within the time referred to in that section, the *IESO* shall use, for *settlement* purposes, the re-calculated congestion management *settlement* credit referred to in section 1.4.5A.1.

1.4A Criteria for Re-calculating Congestion Management Settlement Credits

- 1.4A.1 Having established in section 1.3 that local market power existed or that persistent and significant constrained off events occurred within designated constrained off watch zones pursuant to section 1.2.1A, the re-calculation of the congestion management *settlement* credit referred to in section 1.1.3 shall be justified if the *IESO* establishes that the *investigated price* is not consistent with:
- 1.4A.1.1 the marginal costs of the *generation facility* that received the congestion management *settlement* credit;

- 1.4A.1.2 opportunity costs or replacement energy costs of a *generation facility*, *dispatchable load facility* or *boundary entity*; or
- 1.4A.1.3 value or benefits of consumption for a *dispatchable load facility* or an exporting *boundary entity*,

and such other additional values, benefits or costs as the *IESO* may determine relevant.

1.4A.2 Such values, benefits, and costs referred to in section 1.4A.1 will be based on information available to the *IESO* at the time of its decision under section 1.4, which may be:

- 1.4A.2.1 estimated information available to the *IESO*; or
- 1.4A.2.2 information provided by the *registered market participant* as part of its representations under section 1.4.3.2 or otherwise.

PART 5 – IESO BOARD DECISION RATIONALE

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Market Rule Amendment Proposal

PART 1 – MARKET RULE INFORMATION

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Subject:	Congestion Management Settlement Credits (CMSC)		
Title:	Constrained off CMSC Payments in Designated Watch Zones		
Nature of Proposal:	<input checked="" type="checkbox"/> Alteration	<input type="checkbox"/> Deletion	<input type="checkbox"/> Addition
Chapter:	11	Appendix:	
Sections:	1.1.1		
Sub-sections proposed for amending:			

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Summary

See MR-00306-R00

Background

See MR-00306-R00

Discussion

This definition of “designated constrained off watch zone” is consequential to the amendment of Appendix 7.6. See MR-00306-R00

PART 4 – PROPOSED AMENDMENT

1.1.1.X *A designated constrained off watch zone means an area within Ontario as set out in the applicable market manual, including connected inertia zones, that is monitored to determine if persistent and significant congestion management settlement credit payments for constrained off events are being made. These watch zones may be further designated for injections, withdrawals or both.*

PART 5 – IESO BOARD DECISION RATIONALE

This amendment is needed because the persistent CMSC payments targeted are not consistent with the market design and intent of CMSC payments. Existing local market power mitigation screens are not effective in investigating and addressing these payments as these situations are not typically the result of the existence of local market power.