



Market Rule Amendment Proposal

PART 1 – MARKET RULE INFORMATION

Identification No.: MR-00234-R00
Subject: Operating Reserve
Title: Revised Operating Reserve Restoration Standards
Nature of proposal (please indicate with X): <input checked="" type="checkbox"/> Alteration <input type="checkbox"/> Deletion <input type="checkbox"/> Addition
Chapter: 5 Appendix:
Sections: 4.5
Sub-sections proposed for amending: 4.5.10 and 4.5.21

PART 2 – PROPOSAL HISTORY

Version	Reason for Issuing	Version Date
1.0	Technical Panel Review	June 17, 2003
2.0	Recommended by Technical Panel and submitted for IMO Board approval	June 24, 2003
3.0	Approved by IMO Board	July 3, 2003
Approved Amendment <i>Publication</i> Date: July 4, 2003		
Approved Amendment <i>Effective</i> Date: July 26, 2003		

PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

Provide a brief description of the following:

PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

- The reason for the proposed amendment and the impact on the *IMO-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 *IMO-administered markets*.

It is proposed to amend the market rules regarding maintenance and restoration of operating reserve such that the market rules refer to the applicable reliability standards rather than retain the duplication of those standards in the market rules. These amendments are proposed in response to a change in those reliability standards.

In mid-November, 2002, the Northeast Power Coordinating Council (NPCC) adopted new standards for restoration of operating reserve and the recovery period to re-establish Area Control Error (ACE) following a contingency. ACE is a measure of the imbalance between the load and generation in a control area. When there is a contingency, control areas now have 15 minutes rather than 10 to restore ACE to zero or to pre-contingency levels.

NPCC adopted a new standard related to the time to restore the 10 minute Operating Reserve (OR) after a contingency. The 10 minute OR restoration standard is now 105 minutes rather than 30 minutes after a contingency that is a reportable event, and 90 minutes for a shortfall that was not due to a contingency that is a reportable event. There is no change in the 30-minute reserve standard.

The IMO believes it is appropriate for the IMO to adopt the new standards since it will improve economic efficiency in the market (i.e. lower overall costs) while still maintaining system reliability to the level of established industry standards. The IMO does not see any reason to maintain a reliability standard in this area in excess of that determined to be acceptable to the industry at large. There would be no IMO tool changes required to facilitate the new NPCC standards and there should, consequentially, be a reduction in the number and magnitude of manual intervention by the IMO to maintain the reliability on the IMO-controlled grid. There are no changes to the existing requirements related to the activation of each type of operating reserve. There would also be no impacts on a Market Participant's interfaces with the IMO – dispatch instructions will be sent and received in the same manner as they currently are.

The market rules in section 4.5 of Chapter 5 are written consistent with meeting the previous NPCC standards for operating reserve. IMO compliance with the existing rules would require the IMO to exceed the new NPCC standards since the previous NPCC standards are stricter than the revised standards. Further, the existing market rules are very prescriptive in nature. Maintaining prescriptive market rules in this regard would mean that any future changes to NPCC operating reserve criteria or standards would require a market rule amendment. Such prescriptive market rules should only be necessary if Ontario's criteria or standards will differ from NPCC's, since the detailed criteria and standards would be contained in other market documents and are published by NPCC.

The IMO proposes that section 4.5.10 of Chapter 5 be modified to remove the explicit requirement that the IMO re-establish the 10 minute operating reserve in thirty minutes and replacing that with a more general reference to re-establishing the reserve in accordance with the applicable reliability standards. Detailed criteria and standards will be included in the applicable market manual issued with the September 10, 2003 Baseline. To avoid any inconsistency between the market rules and the market manuals an Interim Market Document Change form documenting the upcoming changes to the manuals will be published on July 15th.

Similarly in section 4.5.21 of Chapter 5, the section explicitly references very specific NPCC procedures including that the restoration time for thirty minutes operating reserve will be four hours.

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Although the four hour restoration time remains the same in the NPCC procedures it is proposed that this sub-section be revised to reflect a more general reference to the applicable reliability standards. Again, detailed criteria and standards will be included in the applicable market manual issued with the September 10, 2003 Baseline. To avoid any inconsistency between the market rules and the market manuals an Interim Market Document Change form documenting the upcoming changes to the manuals will be published on July 15th.

PART 4 – PROPOSED AMENDMENT**4.5 Operating Reserve**

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4.5.10 If, for any reason, there is a deficiency of *ten-minute operating reserve*, the *IMO* shall replace ~~the requirement for~~ such *reserve* ~~within thirty minutes~~ in accordance with the applicable *reliability standards* referenced in the *market manuals*.

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4.5.21 The requirement for *thirty-minute operating reserve* shall be maintained in accordance with the applicable *reliability standards* referenced in the *market manuals*. ~~at all times, provided however that if a deficiency of *thirty-minute operating reserve* exists for any reason, such deficiency shall only be required to be replaced when the deficiency is foreseen 4 hours or more in advance or is expected to persist for more than 4 hours into the future unless the *IMO* declares that the *IMO-controlled grid* is in either a *high-risk operating state* or an *emergency operating state*, in which case the deficiency shall be replaced as soon as practicable.~~

PART 5 – IMO BOARD COMMENTS