



Market Rule Amendment Proposal

PART 1 – MARKET RULE INFORMATION

Identification No.:	MR-00250-R00		
Subject:	Wholesale Metering		
Title:	Metering Requirements for Embedded Generation Facilities		
Nature of Proposal:	<input type="checkbox"/> Alteration	<input type="checkbox"/> Deletion	<input checked="" type="checkbox"/> Addition
Chapter:	6	Appendix:	
Sections:	4.5 (new)		
Sub-sections proposed for amending:			

PART 2 – PROPOSAL HISTORY

Version	Reason for Issuing	Version Date
1.0	Submitted for Technical Panel Review	February 18, 2004
2.0	Published for Stakeholder Review	February 24, 2004
3.0	Submitted for Technical Panel Review	February 25, 2004
4.0	Submitted for Technical Panel Confirmation of Recommendation	March 10, 2004
5.0	Recommended by Technical Panel and Submitted for IMO Board Approval	March 12, 2004
6.0	Approved by the IMO Board	March 26, 2004
Approved Amendment Publication Date:	Monday, March 29, 2004	
Approved Amendment Effective Date:	June 2, 2004	

PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

Provide a brief description of the following:

- 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*.

Summary

The IMO proposes to amend the market rules to relax the revenue metering requirements for embedded generation facilities that are not separately registered in the IMO-administered markets, but whose generation output needs to be factored into the host transmission customer transmission service charges. Currently, such a facility would need to meet all the wholesale metering installation standards contained in Chapter 6 of the market rules e.g. install a main and alternate revenue meter from the list of conforming meters.

Under the proposed rule amendments the IMO would determine the applicable transmission service charges for the host transmission customer strictly on the basis of the transmission customer's wholesale revenue metering i.e. disregarding any impact of the embedded generation facility. There would be an annual adjustment of the applicable transmission service charges and payments to capture the impact of the actual output of the embedded generation facility. Both the transmitter and the transmission customer would need to agree on the annual adjustment amount. In effect the embedded generation facility would not need to meet any wholesale metering installation standards.

These rule amendments would remove a potentially significant financial burden on the embedded generation facility owner to meet the IMO-administered market requirements for wholesale revenue metering and for the host transmission customer to provide the necessary metering services for the embedded facility metering.

Background

In May 2000, the Ontario Energy Board (OEB) published its decision relating to Transmission Cost Allocation and Rate Design that would be implemented after the opening of the market (RP-1999-0044). The OEB ruled that for new embedded generation, net load billing would apply for network transmission service and gross load billing would apply for line connection and transformation connection service. Exemptions for gross load billing would apply to embedded generators that were approved prior to October 30, 1998 or whose capacity is under 1 MW.

In January 2001, the OEB issued its Final Transmission Rate Order. The Transmission Rate Schedules attached to the Rate Order required LDCs to ensure that all 1MW or greater embedded generators, approved after October 30, 1998, meet the requirements of Chapter 6 of the Market Rules if the output of these generators is required for calculating transmission charges, regardless of whether the embedded generator was a market participant. The Transmission Rate Order's intent is to ensure that the host LDC is billed on a gross basis for transmission line and transformation connection charges as per the RP-1999-0044 decision.

The Ontario Transmission Rate Schedules issued on April 30, 2002 by the OEB require transmission customers to conform with Chapter 6 of the Market Rules in respect of revenue metering requirements for an embedded generation facility if:

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- the required approvals for the embedded generation facility are obtained after October 30, 1998;
- the generation facility rating is 1 MW or higher; and
- the transmission delivery point through which the generator is connected to the transmission system attracts Line or Transformation Connection Service charges.

Participants in the IMO-administered markets, including the embedded generators that meet the above criteria would be required to comply with the current market rules with respect to wholesale revenue metering installations.

In April 2002, the OEB issued a revised Transmission Rate Order and Ontario Transmission Rate Schedules that apply to multiple licensed transmitters in Ontario. The revised rate schedule did not include any changes with respect to the metering requirement for embedded generation.

In January 2003, Ontario Power Generation (OPG), Hydro One Networks (HON) and the IMO initiated discussions on the issue of metering requirement for embedded generation since that requirement impacted a number of new embedded generating facilities.

Some local distribution companies (LDCs) and proponents of new embedded generation have identified that the requirement for metering for embedded generation, as noted above, places unnecessary and costly obligations on small and medium sized embedded generators. Specifically, they have noted that the embedded generators that do not participate in the IMO-administered markets have to satisfy the relatively onerous requirements specified in Chapter 6 solely because the IMO has to measure the output of embedded generation for calculating transmission charges. The LDCs have also noted a concern that the metering requirements specified in Chapter 6 result in additional costs related to the metering service provider (MSP) function that they would need to provide in relation to the metering installation for embedded generators that do not participate in the IMO-administered markets.

In May 2003, the IMO indicated that it was prepared to consider a relatively lower standard for metering associated with embedded generation where the metering is required solely for the purpose of calculating transmission charges for the host transmission customer.

Because the metering data for non-participating embedded generation is used only for the calculation of transmission charges, and because of the relatively high cost of compliant metering required by the Market Rules, the IMO, HON, OPG and other stakeholders have explored alternative options to the provision of fully compliant metering for such generators. It is envisaged that such options may reduce an obstacle to investment in new embedded generation.

In initial discussions with the Technical Panel, alternatives were suggested that might have been incorporated by the OEB into a revised Transmission Rate Schedule. This option is not expected to go forward in the short term, thus a proposal for modifying Chapter 6 of the market rules is proposed.

Proposed Solution and Discussion

The IMO proposes to relax the revenue metering requirements for embedded generation facilities that are not separately registered in the IMO-administered markets but whose generation output needs to be factored into the host transmission customer transmission service charges.

The proposed rule amendments would permit the host transmission customer to choose whether or not to meet the existing wholesale metering installation standards for the embedded generation facility or to use the proposed alternative standard. The proposed alternative standard would:

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- not require the transmission customer and the embedded generation facility to meet any wholesale revenue metering hardware standards;
- require the IMO to determine the applicable transmission service charges for the transmission customer strictly on the basis of the transmission customer's wholesale revenue metering (i.e. not including the impact of the output of the embedded generation facility); and
- require an annual adjustment of the applicable transmission service charges to capture the impact of the output of the embedded generation facility.

To enable this, transmission customers with an embedded generation facility would, at their choice, be required to have their MSP register a metering point for the embedded generation facility, without a corresponding wholesale physical meter.

Within three months of the end of the calendar year the transmission customer would be required to determine an adjustment dollar value for the transmission service charges based on the actual embedded generation facility output. Agreement of the transmitter is required for the adjustment amount. The IMO would then adjust the transmission service charge settlement amounts for either the transmission customer or the transmitter as required.

If the IMO does not receive the adjustment amount from the transmission customer, within three months of the calendar year end, the IMO will use the installed maximum continuous rating for the embedded generation facility to adjust the transmission service charge settlement amounts.

The proposed solution addresses the cost concerns of the owners of embedded generation facilities to meet the IMO-administered market requirements for wholesale revenue metering and for the transmission customer to provide complete metering services for the embedded facility metering installation.

The proposed solution also provides the following advantages:

- accurate settlement of the transmission service charges for embedded generation facilities on an annual basis through the adjustment process;
- lower administration costs for LDCs and the IMO than what would have been required under the current chapter 6 metering requirements, including lower MSP costs, and lower costs associated with responding to meter trouble reports;
- transmitter, transmission customer and IMO administrative costs incurred at the time of the annual adjustment are minimized being only once per annum.

It should be noted that appendix 6.5, section 1.3A covers the requirement for transmitters to approve meter point documentation that will be used for the calculation and collection of transmission service charges. Therefore, a reference to the approval of meter point documentation by the transmitter is not included in the proposed rules.

PART 4 – PROPOSED AMENDMENT

4.5 Alternative Metering Installation Standards for Embedded Generation Facilities

- 4.5.1 A transmission customer that has an embedded generation facility that:
- 4.5.1.1 is not separately registered as a generation facility in the IMO-administered markets;
 - 4.5.1.2 is rated at greater than or equal to 1 MW and less than 20 MW;
 - 4.5.1.3 meets the applicable Ontario Transmission Rate Schedule requirements with respect to the transmission *delivery point* through which the generation facility is connected to the *transmission system* and attracts Line or Transformation Connection Service charges; and
 - 4.5.1.4 the applicable required approvals for the *embedded generation facility* were obtained after October 30, 1998;
- shall either comply with the *metering installation* standards specified elsewhere in this Chapter 6 or with the *metering installation* standards specified in this section 4.5 for that *embedded generation facility*.
- 4.5.2 A transmission customer that chooses to meet the *metering installation* standards of this section 4.5 for an *embedded generation facility* shall, in accordance with the applicable *market manual*, have their *metering service provider*:
- 4.5.2.1 register with the IMO a *metering point* for that *embedded generation facility* without a wholesale physical *meter*; or
 - 4.5.2.2 change the registration with the IMO for the *metering point* for that *embedded generation facility* without a corresponding wholesale physical *meter*.
- 4.5.3 Within three months of the calendar year end, the *transmission customer* shall, for each *embedded generation facility* for which a *metering point* has been registered without a corresponding wholesale physical *meter*, in the manner specified in the applicable *market manual*:

- 4.5.3.1 determine the annual adjustment dollar value for the applicable transmission service charges based on the impact of the actual output of the embedded generation facilities;
- 4.5.3.2 obtain agreement of the transmitter as to this adjustment amount; and
- 4.5.3.3 submit this information to the IMO.
- 4.5.4 In the event that the IMO does not receive the information specified in section 4.5.3 within the time specified in section 4.5.3, the IMO shall use the installed maximum continuous rating for the embedded generation facilities, provided to the IMO at the time of the meter point registration referred to in section 4.5.2.
- 4.5.5 The IMO shall adjust the applicable transmission service charge settlement amounts by any such amount, submitted in accordance with section 4.5.3 or by the amount determined under section 4.5.4, for the transmission customer and the transmitter. The IMO shall make this adjustment on the applicable settlement statement for the last day of the month in which the adjustment information is received or the last day of the month in which the IMO determines the adjustment amount, whichever is applicable.

PART 5 – IMO BOARD COMMENTS

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