Market Rule Amendment Proposal

PART 1 – MARKET RULE INFORMATION

Identification No.:	MR-00260-R00
Subject:	Generation Cost Guarantee
Title:	Revised Definition of Minimum Run-Time
Nature of Proposal:	☒ Alteration ☐ Deletion ☐ Addition
Chapter:	11 Appendix:
Sections:	
Sub-sections proposed for amending:	

PART 2 – PROPOSAL HISTORY

Version	Reason for Issuing	Version Date
1.0	Submitted for Technical Panel Review and Recommendation	26 May 04
2.0	Recommended by Technical Panel and Submitted for IMO Board Approval	1 Jun 04
3.0	Approved by IMO Board	10 Jun 04

Approved Amendment Publication Date:	11 Jun 04
Approved Amendment Effective Date:	6 Oct 04

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

It is proposed to change the definition of minimum run-time used in the generation cost guarantee (also known as "Spare Generation On-Line") program to include the time from generation facility synchronization to when it reaches its minimum loading point and the time the facility needs to operate at its minimum loading point. The current definition does not include the time from generation facility synchronization to when it reaches its minimum loading point.

This change would facilitate the automation of the IMO administration of this element of the wholesale electricity market. This automation would result in improved market administration efficiency.

Background and Discussion

In the summer of 2003, the Spare Generation On-Line (SGOL) program was introduced into the IMO-administered markets (reference MR-00235). This mechanism offers a guarantee of start-up and minimum generation costs to eligible generators. Generators have been using the SGOL program with increasing frequency since its introduction, to the point now where it used almost every day for a number of different generation facilities.

In order for a generation facility to be eligible for the SGOL guarantee of costs, one of the criteria that it must meet is that once it is synchronized to the IMO-controlled grid, it operates at its minimum loading point for at least its minimum run-time.

The current market rules definition of minimum run-time is:

"minimum run-time means the time period specified by the *market participant*, for which a *generation facility* having reached its *minimum loading point* must run in accordance with the technical requirements of the *facility"*.

These minimum run-times are typically in the order of 4 to 8 hours, depending on the facility technology and conditions.

In order to determine if the generation facility has met the above eligibility criteria, the IMO must:
- Identify when the applicable facility is synchronized;
- Identify when the applicable facility reaches its minimum loading point; and
- Determine that the applicable facility output is at least at its minimum loading point for its minimum run-time.

The IMO currently uses a mix of manual and automated processes to make these determinations and the frequency and the number of facilities using the SGOL program are overwhelming the entire process. The IMO believes that fully automating the eligibility verification process will increase the efficiency of administering this program.

In its development of the changes necessary to achieve this automation, the IMO has identified that a change to the definition of minimum run-time would simplify the verification process and reduce the

PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

cost and time required to automate the administration of the SGOL program. The change would be to define minimum run-time as:

"the time period specified by the *market participant*, for which a *generation facility*, having synchronized to the *IMO-controlled grid*, must run in accordance with the technical requirements of the *facility*".

That is, the minimum run-time would include the time required for the generation facility to reach its minimum loading point from synchronization.

This change would allow the IMO to use a single discrete event (i.e. the closing of the breaker when the facility synchronizes to the IMO-controlled grid) that is already automatically monitored and recorded in order to initiate the measurement of minimum run-time.

The suggested change does place the onus on the market participant to estimate and "fix' the time required to go from synchronization to minimum loading point and include that time in its specification of the facility minimum run-time. In discussions with the generators that use the SGOL mechanism, the IMO has learned that such a change would not be an issue for those participants. For most facilities using the SGOL mechanism, the time from synchronization to minimum loading point is fairly predictable and constant.

There is expected to be minimal impact to the rest of the market in terms of the guarantee costs provided. The guarantee as currently defined, and as would continue, is for specified costs incurred during the time from facility synchronization to the end of its minimum run-time. Provided that the generator market participant accurately estimates the time between facility synchronization and achieving its minimum loading point, the guarantee payments should not change. The IMO's existing authorities (chapter 7 section 2.2B.2) to audit the minimum run-time information submitted by a market participant and to recover any guarantee over-payment resulting from inaccurate minimum run-times provides a means to determine market participant compliance in this regard.

PART 4 – PROPOSED AMENDMENT

> *minimum run-time* means the time period specified by the *market participant*, for which a *generation facility*, having synchronized to the *IMO-controlled grid*, reached its minimum loading point must run in accordance with the technical requirements of the *facility*;

PART 5 – IMO BOARD COMMENTS

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