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: IESO Staff

(if applicable) *Market Participant /
Metering Service Provider* No.[1]: N/A

Market Participant Class:
N/A

Telephone: 905 855-6464

Fax:

E-mail Address: rule.amendment@ieso.ca

PART 2 – MARKET RULE AMENDMENT SUBMISSION INFORMATION

Subject: Day-Ahead Commitment Process

Title: Account for CMSC Revenues in Day-Ahead Intertie Offer Guarantee Payments

Nature of Request (please indicate with x)

☒ Alteration ☐ Deletion ☐ Addition ☐ Clarification

Chapter: 9 Appendix: Sections:

Sub-sections proposed for amending/clarifying:

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[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*.

During the implementation of the Day-Ahead Commitment Process, the IESO has identified an issue with respect to the calculation of the Day-Ahead Intertie Offer Guarantee (DA_IOG) for import transactions that:

- Are committed and receive the guarantee through the day-ahead commitment process; and

- Are scheduled in appropriate pre-dispatch schedule to flow in real-time; but

- are then constrained on or off by the IESO in real-time.

The current calculation of the DA_IOG and real-time congestion management settlement credit payment could, under certain circumstances, under or over pay the importer relative to its offer price. Such an over-payment or under-payment is not consistent with the intent of the DA_IOG and CMSC payments to keep the importer whole to its offer price.

Numerical examples of these over and under payments, resulting from either positive or negative CMSC payments in conjunction with the DA_IOG are shown in Attachment A.

PART 4 – PROPOSAL (BY SUBMITTER)

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

The formulation for the DA_IOG should be amended to take into account any positive or negative CMSC payments for an import transaction that receives a DA_IOG such that the importer is always and only kept whole to its day-ahead offer price.

PART 5 – FOR IESO USE ONLY

Technical Panel Decision on Rule *Amendment Submission*
MR Number: MR-00313
Date Submitted to *Technical Panel*: 7 Feb 06
Accepted by *Technical Panel* as: (please indicate with x)   Date:
☒ General   ☐ Urgent   ☐ Minor   14 Feb 06
Criteria for Acceptance:
It identifies an error or inconsistency within the market rules. The existing DA_IOG formulation, by not accounting for CMSC payments, could result in a net payment to a market participant that would not keep the participant whole to their day-ahead offer price and therefore is not consistent with the intent of the DA_IOG.
Priority: High
Criteria for Assigning Priority:
Technical Feasibility: The day-ahead commitment process is to be in-service by June 1, 2006 and correcting the DA_IOG formulation within the market rules must be completed as soon as possible so that the applicable settlements software can be developed to meet that in-service date.
Pervasiveness: Incorrect DA_IOG payments will affect a large number of market participants: those participants receiving the payments and those participants from whom the monies for the payments are collected.
Not Accepted (please indicate with x): ☐
Clarification/Interpretation Required (please indicate with x): ☐
Technical Panel Minutes Reference: IESOTP 180-1
Technical Panel Comments:

Public IMO-FORM-1466 v.6.0
REV-05-09

Attachment A

Numerical Examples of Day-Ahead Intertie Offer Guarantee (DA_IOG) and Congestion Management Settlement Credit (CMSC) Payments that Result in Over-Payment or Under Payment of Constrained-off or Constrained-on Import Transaction

NOTE:

The examples listed below use abbreviated notation for simplicity in illustrating the issue at hand. For further information on these settlement amounts and variables, please refer to the following, existing market rule provisions to see the precise formulation/notation as follows:

ABBREVIATED NOTATION (from examples below)	Market Rules Reference
"CMSC payment"	Chapter 9, section 3.5.2
"DA_IOG payment"	Chapter 9, section 3.8A.2A (as amended by MR-00305)
"IOG Reversal"	Chapter 9, section 3.8A.1.2 (as amended by MR-00305)
"RT Energy payment"	Chapter 9, section 3.3.2
"RT Constrained Schedule"	Chapter 9, section 3.1.3
"RT Unconstrained Schedule"	Chapter 9, section 3.1.3

Example #1 – DA_IOG {current formulation} and RT Constrained-on CMSC Payments

A 10 MW import offered in DACP @ $42/MWh. Transaction is committed in DACP and receives a guarantee. The import offer remains unchanged in real-time @ $42/MWh. RT unconstrained price is $32/MWh but the IESO constrains on the 10 MW transaction in RT for reliability. The 10 MW transaction actually flows.

RT Constrained Schedule = 10 MW

RT Unconstrained Schedule = 0 MW

Settlements for this transaction include:

Energy payment = (10 MW * $32) = $320

Constrained-on CMSC payment = (($42-$32)*(10 MW – 0 MW)) = $100

DA_IOG payment {current formulation} = Max {Min {10 MW, 10 MW} * ($42 - $32), 0} = $100

Total revenue = Energy payment + CMSC payment + DA_IOG payment = 320 + 100 + 100 = $520 or $52/MWh

The importer receives $520, as the DA_IOG payment duplicates the RT CMSC payment. The $520 payment represents an over-payment of $100.

Example #2 – DA_IOG {current formulation} and Negative CMSC Payments

A 10 MW import offered in DACP @ $42/MWh. Transaction is committed in DACP and receives a guarantee. The import offer changes in real-time to $37/MWh. The import is not scheduled in the appropriate pre-dispatch schedule as offer price greater than PD price. The RT unconstrained price is $50/MWh and the IESO constrains on the 10 MW transaction in RT for reliability. The 10 MW transaction actually flows.

DACP and RT Constrained schedule = 10 MW

Unconstrained RT schedule = 0 MW (comes from pre-dispatch)

Settlements for this transaction include:

Energy settlement (10 MW * $50) = $500

CMSC (($37-$50)*(10 MW – 0 MW)) = $-130

DA IOG**{current formulation}** = Max {Min {10 MW, 10 MW} * ($42 - $50), 0} = 0

Total revenue = Energy payment + CMSC payment + DA_IOG payment = $500 + (-$130) + 0 = $370 or $37/MWh

This represents an under-payment of $50.

Example 3 – DA_IOG {current formulation} and Constrained-off CMSC Payments

A 10 MW import offered in DACP @ $42/MWh. Transaction is committed in DACP and receives a guarantee. The import offer changes in real-time to $37/MWh. The import is scheduled in the appropriate PD schedule at 10 MW. The IESO constrains the import down to 6 MW for reliability. The RT unconstrained price is $30/MWh.

DA Constrained schedule = 10 MW,

RT Constrained schedule = 6 MW

Unconstrained RT schedule = 10 MW (comes from pre-dispatch)

Settlements for this transaction include:

Energy payment = (6 MW * $30) = $180

CMSC payment = (($37-$30)*(6 MW – 10 MW)) = $-28

RT_IOG payment = max{0, (10 MW * (37 – 30))} = $70

DA_IOG payment **{current formulation}** = Max {Min {10 MW, 6 MW} * ($42 - $30), 0} = $72

IOG Reversal = min (RT_IOG payment, DA_IOG payment) = min (70 , 72) = $70 (i.e. participant receives the DA_IOG payment as it is greater than the RT-IOG))

Total revenue = Energy payment + CMSC payment + DA_IOG payment = $180 + (-$28) + $72 = $224 or $37.33/MWh.

This revenue represents an under-payment of $4.66/MWh.