



Statement of Approach

Compliance with Dispatch Instructions within the Compliance Deadband



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1. Introduction

Within the IESO, the authority to conduct investigations and make determinations related to compliance with, and enforcement of, the Market Rules for the Ontario Electricity Market (the Market Rules), has been delegated to the Vice-President of the Market Assessment and Compliance Division (MACD). Complementing its enforcement role, MACD aims to enable a better understanding of the requirements of the Market Rules, including reliability standards, through education, so that market participants and the IESO may take actions towards being compliant. Compliance with the Market Rules and reliability standards supports the efficient and reliable operation of the IESO-controlled grid and the integrated power system.

As part of its efforts to enable compliance MACD may, upon request or on its own initiative, provide Compliance and Enforcement Guidance (CEG) with respect to specific provisions of the Market Rules. As applicable, a CEG will reflect, on a forward-looking basis, MACD's view as to the meaning of specific provisions and their potential application to compliance and other enforcement determinations. More information on the different types of CEG can be found on the [CEG webpage](#).

The objectives of the Market Rules are "to govern the IESO-controlled grid and to establish and govern efficient, competitive and reliable markets for the wholesale sale and purchase of electricity and ancillary services in Ontario."¹

This Statement of Approach (SOA)² document (which is one form of CEG)³ provides guidance on MACD's view regarding the interpretation and application of section 7.5.1 of Chapter 7: System Operations and Physical Markets of the Market Rules.⁴ Among other things, Chapter 7 sets out rules governing the real-time operations of the electricity system. Section 7.5.1 sets out the requirement for a market participant to comply with dispatch instructions issued to it under the market rules.

Dispatch is the process by which the IESO directs the operation of eligible, registered facilities in real-time to balance supply and demand. A reliability risk is presented when market participants over or under supply/consume compared to their relevant dispatch instruction, even when remaining within the compliance deadband defined in the interpretation bulletin "Compliance With Dispatch Instructions Issued to Dispatchable Facilities", IMO_MKRI_0001 Version 7.0 (the IB).

¹ Chapter 1, s.4.1.1.

² This SOA does not provide a binding statement as to how MACD will proceed in particular cases. MACD retains discretion to apply the market rules appropriately in the particular circumstances of each case and to amend this SOA as needed. Terms that are not defined in this SOA bear the same meaning as in the Market Rules or *Electricity Act, 1998*, SO 1998 c 15 Schedule A (the "Electricity Act"), as the case may be. This guidance document does not supersede any findings of the Dispute Resolution Panel, the Ontario Energy Board, the courts, or any other adjudicative body with jurisdiction over the subject matter of this document.

³ CEG documents have two forms: (1) SOAs – which provide non-binding direction as to MACD's interpretation of the rules and how they may be applied in given circumstances; and (2) Interpretation Bulletins – these are similar to SOAs in terms of general purpose, but are developed and published by the IESO under the authority of the Market Rules, Chapter 1, Section 12. Interpretation Bulletins are binding on the IESO, subject to the conditions listed in Section 12.1.5 of Chapter 1 of the Market Rules.

⁴ Please see Appendix for text of this Market Rule.

This SOA is intended to enable market participants to be compliant with section 7.5.1 and raise awareness about the importance of following dispatch instructions.

2. Obligations to Follow Dispatch Instructions

The IESO published the IB, IMO_MKRI_0001 Version 7.0 to, among other things, clarify how the IESO assesses compliance with dispatch instructions. The IB can be found through this [link](#) and on the [Issued CEGs webpage](#).

Of note, while the IB describes certain “compliance deadbands”, it also states that, “[t]he IESO expects the trend over the five intervals to show the facility is moving in the direction of the dispatch instruction.” Thus, for example, intentionally maintaining a consistent output above or below the dispatch instruction, but within the bounds of the applicable deadband for the facility or compliance aggregate, would not equate with moving in the direction of the dispatch instruction.

Additionally, the IB states that the “...IESO will use the operational telemetry quantities provided by market participants under Chapter 4, Appendix 4.15 to assess a facility’s operation.” In other words, compliance with the relevant dispatch instruction is assessed based on the generation facility’s operational telemetry.

3. Enforcement Guidance

If MACD determines a market participant has breached the Market Rules, it may issue a non-compliance letter and impose a financial penalty, amongst other possible orders.

Efforts by a market participant to be compliant with dispatch instructions are a relevant factor when MACD is considering investigative and enforcement actions regarding Chapter 7, section 7.5.1.

APPENDIX: Primary Market Rule Discussed in this Statement of Approach

Chapter 7, section 7.5.1 establishes the compliance requirement that is the subject of this SOA:

7.5.1 Each registered market participant shall ensure that each of its registered facilities complies with dispatch instructions issued to it under these market rules. Without limiting the generality of section 6.2 of Chapter 3, non-compliance with dispatch instructions other than for the reasons referred to in section 7.5.3 shall be a breach of the market rules and may be sanctioned in accordance with section 6.2 of Chapter 3 and with this section 7.5.

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