



Urgent Market Rule Amendment Proposal

PART 1 – MARKET RULE INFORMATION

Identification No.:	MR-00373-R00		
Subject:	Congestion Management		
Title:	Suspend CMSC for Constrained Off Dispatchable Loads		
Nature of Proposal:	<input type="checkbox"/> Alteration	<input type="checkbox"/> Deletion	<input checked="" type="checkbox"/> Addition
Chapter:	9	Appendix:	
Sections:	3.5.1C		
Sub-sections proposed for amending:			

PART 2 – PROPOSAL HISTORY

Version	Reason for Issuing	Version Date
1.0	Submit for IESO Board Approval	August 25, 2010
2.0	Approved by IESO Board	August 27, 2010
Approved Amendment Publication Date:		August 27, 2010
Approved Amendment Effective Date:		August 28, 2010

PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

Provide a brief description of the following:

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

Summary

It is proposed to temporarily suspend energy related congestion management settlement credits (CMSC) payments to constrained off dispatchable load facilities. This rule amendment is required to eliminate significant CMSC payments to two market participants that are not consistent with the intent of CMSC payments under the market rules.

The IESO recognizes that constrained off CMSC payments to dispatchable loads are appropriate under some circumstances. However, the magnitude of inappropriate CMSC payments to two market participants necessitates an immediate suspension of all constrained off CMSC payments associated with constraints on the withdrawal of energy. The suspension would remain in effect while the IESO considers alternative solutions.

This rule amendment is considered to be urgent as it meets the following statutory criteria: “It would avoid, reduce, or mitigate the effects of an unintended adverse effect of a market rule.” The magnitude of the CMSC payments made to two market participants this year is an unintended adverse effect of the market rules.

Background

For the period February 1 to July 31 2010, two market participants received approximately \$22 million in CMSC payments associated with two dispatchable load facilities. Constrained off payments account for approximately 85% of those payments (or \$18.7 million)¹.

These two dispatchable load facilities represent 22% of Ontario’s dispatchable load capability yet have received over 95% of the total constrained off CMSC paid to all dispatchable loads in Ontario. The constrained off CMSC payments associated with these two facilities (totaling 190 MW) are also equivalent to approximately 75% of total constrained off CMSC payments made to all dispatchable generators in Ontario during the same period (approximately 35,000 MW).

The main factor contributing to the recent increase in constrained off CMSC payments is frequent ramping up/down with a slow ramp rate and high bid price. A dispatchable facility’s ramping limitations can lead to a discrepancy between the market schedule and the dispatch schedule, resulting in CMSC payments. The magnitude of those payments is a function of the speed at which the facility

¹ The remaining \$3.3 million was associated with constrained on CMSC payments and the circumstances that led to a significant portion of those payments are already being addressed under market rule amendment MR-00370.

PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

ramps and the facility's offer or bid. In February 2010, one of the market participants changed its bidding strategy such that, relative to historical operations, its ramp rates are much slower and its bid prices are significantly higher. Through a daily pattern of consuming off-peak and reducing consumption to a lower level during on-peak, one of the two facilities earned approximately \$8.25 million in constrained off CMSC. The other facility, which has multiple intraday ramping periods, earned an estimated \$6.75 million in constrained off CMSC. In aggregate, the two market participants have earned approximately \$15 million in constrained off CMSC payments during its ramping periods from February 1 – July 31, 2010. These payments are simply a wealth transfer from one group of consumers to two market participants while not contributing to either market efficiency or system reliability.

Constrained off CMSC payments may also result from a dispatchable load facility deviating from its dispatch instructions. Section 3.5.1A of the market rules provides that a constrained off dispatchable load facility is not entitled to CMSC if it deviates from dispatch. However, existing processes and procedures do not facilitate complete recovery of this CMSC. In particular, they do not address the outcomes of the market participants' recent operating strategies. From February 1 to July 31, these two market participants have received approximately \$3.7 million in constrained off CMSC payments resulting from dispatch deviations.

Discussion

The proposed amendment would suspend CMSC payments for constrained off dispatchable load facilities where the CMSC is attributed to constraints on the withdrawal of energy. The suspension would remain in effect until March 31, 2011 or a date determined by the IESO Board (refer to new section 3.5.1C.)

An immediate but temporary suspension is necessary to eliminate significant, inappropriate CMSC payments until the IESO can consider alternative solutions. Consideration of alternative solutions will require stakeholder consultation through the general rule amendment process which takes approximately four to six months from inception to IESO Board approval of the proposed amendment. Therefore, March 2011 is the earliest a more permanent solution could be implemented.

PART 4 – PROPOSED AMENDMENT

3.5.1C Notwithstanding any other provision in the market rules, a registered market participant for a constrained off dispatchable load shall not be eligible for any congestion management settlement credit payments attributable to a constraint on the withdrawal of energy. This section shall cease to have effect on March 31, 2011, or such earlier or later date as the IESO Board may determine with such date to be published by the IESO.

PART 5 – IESO BOARD DECISION RATIONALE

This amendment is necessary to prevent congestion management settlement credit payments that are not consistent with the intent of these payments.