

# Memorandum

**To:** **MARKETS COMMITTEE OF THE BOARD OF DIRECTORS  
of the Independent Electricity System Operator**

**Presenter:** Michael Lyle, Vice President, Legal Resources and Corporate Governance  
Chair, IESO Technical Panel

**Date:** March 9, 2021

**Re:** CMSC Recovery from Dispatchable Loads (Market Rule Amendment Proposal MR-00447-R00)

**Purpose of Item:** Recommendation for Approval to the Board

## **Executive Summary:**

The IESO is seeking a decision from the IESO Board on proposed market rule amendments that will enable the recovery of inappropriate congestion management settlement credit (CMSC) payments from dispatchable loads. The proposed amendment enables the IESO to recover CMSC payments that are a result of actions taken to prevent endangering the safety of any person, equipment damage, or the violation of any applicable law (SEAL). The Technical Panel unanimously recommended this proposal to the IESO Board for consideration.

## **Significant Issues, Risks and Opportunities:**

The proposed market rule amendments address a misalignment in the market rules. Existing provisions in the market rules explicitly allow for the recovery of SEAL related CMSC payments made to dispatchable generators. The proposed market rule amendments will align the recovery of SEAL related CMSC payments earned by dispatchable loads to the existing treatment applied to dispatchable generators.

These amendments will also address two outstanding Market Surveillance Panel (MSP) recommendations to the IESO in 2015 and 2018. At the time the MSP recommended that the IESO review CMSC payments made to dispatchable loads to determine if significant amounts continued to be unwarranted (i.e. as a result of market participant actions or conditions at their facility, rather than conditions on the IESO-controlled grid). If so, the MSP recommended that the IESO pursue market rule amendments that would allow for the recovery of such unwarranted CMSC.

The Market Renewal Program (MRP) will eliminate the two-schedule system and CMSC. The IESO's proposed market rules amendments are consistent with design decisions under MRP where dispatchable facilities will not be eligible for a make-whole payment when it is dispatched up or down for SEAL reasons, or at its own request.

**Background:**

CMSC payments are a consequence of the Ontario uniform pricing system and result from a divergence between a facility's unconstrained market schedule and its constrained dispatch schedule. When a dispatchable load's constrained dispatch schedule differs from its unconstrained market schedule, CMSC payments are intended to ensure that market participants are kept whole to the operating profit they would have received under their market schedules. In this way, CMSC payments are used to ensure that dispatchable facilities follow their dispatch even if they are dispatched uneconomically due to conditions on the grid.

A facility may be dispatched above or below its market schedule due to operational constraints that it has requested to address conditions at its facility. When CMSC is caused by conditions at the dispatchable facility, it is not warranted and should be clawed back.

The MSP recommendations in its 2015 Investigation Report on CMSC Payments and its 2018 Monitoring Report (recommendation 3-1) were related to this type of unwarranted CMSC payments to dispatchable loads.

The market rule amendment proposal is targeting this unwarranted CMSC by enabling the recovery of CMSC when a dispatchable load facility that for safety, legal, regulatory, environmental or equipment damage reasons is either:

- Unable to follow IESO dispatch instructions; and/or
- Constrained on or constrained off by the IESO, at the request of the dispatchable load.

The IESO contacted stakeholders in the dispatchable load community directly in September 2020 informing them of the IESO's proposal and later held a Public Information Session in October 2020 to present the IESO's proposal to a broader audience. As part of the October 2020 session the IESO also presented the draft market rules amendments to stakeholders requesting comments in advance of the bringing the proposed amendments to the Technical Panel. As part of the request for stakeholder feedback during the Public Information Session and subsequent call for stakeholder comment by the Technical Panel, the IESO did not receive any written feedback. Therefore, there have been no material changes to the market rule amendments since they were first presented to stakeholders.

At the February 16, 2021 Technical Panel meeting, the panel voted unanimously to recommend this proposed market rule amendment to the IESO Board.

**Next Steps / Implementation:**

I recommend that the Board accept the unanimous vote and recommendation of the Technical Panel to approve market rule amendment MR-00447: CMSC Recovery from Dispatchable Loads, with an effective date of April 6, 2021.

Michael Lyle

Cc: IESO Records

Encls.

- a. Market Rule Amendment Proposal forms
  - MR-00447-R00: CMSC Recovery from Dispatchable Loads
- b. Technical Panel Materials
  - i. Memo to Technical Panel from IESO staff, dated February 9, 2021
  - ii. TP member Rationale, dated February 16, 2021
- c. Stakeholder feedback summary, stakeholder engagement and Technical Panel
- d. Consumer Impact Assessment
- e. Draft Board Resolution