

Memorandum



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To: **MARKETS COMMITTEE**

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

Date: March 7, 2023

Re: MR-00467-R00 – Improving Accessibility of Operating Reserve

Purpose of Item: Recommendation for Approval to the Board

Executive Summary:

The IESO is seeking a decision from the IESO Board on a proposed market rule amendment that will add a settlement charge in order to more efficiently claw back operating reserve (OR) payments from market participants where the market participant failed to maintain adequate unused generation or load reduction capacity during all intervals in which they were scheduled for OR. The Technical Panel unanimously recommended this proposal to the IESO Board for consideration.

Significant Issues, Risks and Opportunities:

Operating Reserve is stand-by power or demand reduction that the IESO can call on with short notice to deal with an unexpected mismatch between electricity generation and consumption. The IESO schedules OR for every minute of every day to meet requirements set by the North American Electric Reliability Corporation (NERC) and the Northeast Power Coordinating Council (NPCC) to ensure power system reliability. The IESO has been experiencing an issue with OR where the amount of scheduled OR is not fully accessible - meaning, there is a difference between the amount of OR the IESO dispatches and the actual amount of OR that is

received upon dispatch. If not addressed this issue could pose challenges for the IESO to recover the supply-demand balance after a system event, and result in an unfair cost to the market.

Background:

The Market Surveillance Panel (MSP), in its May 2017 report, made the following recommendation:

The IESO should take steps to ensure that dispatchable loads are only compensated for the amount of operating reserve they were capable of providing in real-time. More fundamentally, the IESO should explore options for ensuring unavailable OR is not scheduled in the first instance.

During the IESO's examination of the issue, it was identified that the OR accessibility issue is not limited to dispatchable loads; it applies to all dispatchable resources. The amount of energy provided following an OR activation is affected by the actual production/consumption of the resource preceding the OR activation. Deviations from the dispatch instruction preceding the activation result in differences between the amount of OR scheduled and the energy or demand reduction that is actually provided when OR is activated.

Proposal and Analysis

The IESO is proposing to amend the market rules to add a settlement charge in order to more efficiently claw back operating reserve payments from market participants where the market participant fails to maintain adequate unused generation or load reduction capacity during all intervals in which they were scheduled.

Next Steps / Implementation:

I recommend that the Markets Committee recommend that the IESO Board accept the unanimous vote and recommendation of the Technical Panel to approve market rule amendment MR-00467-R00 – Improving Accessibility of Operating Reserve with an effective date that aligns with the implementation of the Replacement of the IESO Settlement System (RSS).

Requested Committee Resolution:

The Committee is asked to pass the following resolution:

CONCERNING MR-00467-R00: Improving Accessibility of Operating Reserve, which is a market rule amendment to ensure that market participants only receive payments for the operating reserve they are capable of delivering.

WHEREAS the IESO is proposing to amend the market rules to add a settlement charge in order to more efficiently claw back operating reserve payments for inaccessible operating reserve.

WHEREAS the proposed amendment addresses a concern raised by the Market Surveillance Panel to ensure that market participants are only compensated for the amount of operating reserve they are capable of providing.

WHEREAS the IESO engaged with the Technical Panel and incorporated their suggestions into the proposed market rule amendment.

NOW THEREFORE BE IT RESOLVED THAT the Markets Committee recommends that the IESO Board accept the unanimous vote and recommendation from the Technical Panel and approve MR-00467-R00 to come into effect concurrent with the implementation of the Replacement of the IESO Settlement System Market Rules (MR-00475-R00).

Michael Lyle

Cc: IESO Records

Encls.

- a. Market Rule Amendment Proposal form
- b. Technical Panel Materials
 - i. Memo to Technical Panel from IESO staff
 - ii. Technical Panel member Rationale
- c. Stakeholder feedback summary, stakeholder engagement and Technical Panel
- d. Consumer Impact Assessment