

# Improving Accessibility of Operating Reserve

## Stakeholder Feedback & IESO Response from March 30<sup>th</sup> webinar

Following the March 30<sup>th</sup> Improving Accessibility of Operating Reserve stakeholder engagement webinar, the IESO invited stakeholders to provide comments and feedback on the materials presented on the webinar by April 30<sup>th</sup>, 2020.

The IESO received written feedback submissions from:

Capital Power  
Northland Power  
Ontario Power Generation  
TC Energy  
TransAlta

The IESO also participated in individual teleconferences with dispatchable loads (DLs) with energy market exemptions. Feedback from these discussions that is not confidential has been summarized below.

The presentation materials and stakeholder feedback submissions have been posted on the IESO stakeholder [engagement webpage](#) for this engagement.

### Note on Feedback Summary

The IESO appreciates the feedback received from stakeholders and has provided a table below, which provides a summary of the feedback received and an IESO response to that feedback.

## Stakeholder feedback and IESO responses

Topic	Stakeholder	Feedback	IESO Response
Settlement Claw-back	Ontario Power Generation (OPG)	<p>OPG believes the proposal for Operating Reserve (OR) settlement claw-back is clear and makes sense overall, as the IESO should not have to pay for OR that is inaccessible to the system.</p> <p>OPG would like additional details on the proposed implementation process of this OR settlement claw-back:</p> <ul style="list-style-type: none"> <li>• Is this a forward looking claw-back with no retroactive charges associated with this initiative?</li> <li>• It would be easier for Market Participants (MPs) to manage claw-backs if they were settled on a longer term basis (semi-annual/annual), as it may remove the requirement to change existing settlement software tools and processes. Is the OR settlement claw-back going to be settled similar to other OR charges on an hourly and daily basis, or through monthly/semiannual/annual adjustments?</li> <li>• Is the IESO going to introduce new charge types or revise existing OR charge type calculation rules?</li> </ul> <p>It is OPG's understanding that the OR congestion management settlement credit (CMSC) claw-back is</p>	<p>The proposed OR settlement claw-back is a forward looking claw-back charge with no retroactive charges.</p> <p>This feedback will be taken into consideration as we develop the details of how this will be implemented. Stakeholders will have an opportunity to comment on these details when they are presented at the next stakeholder engagement meeting.</p> <p>The IESO is conducting a cost-benefit analysis to determine whether to</p>

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		<p>proposed to be implemented before Market Renewal (MR) and will no longer exist post MR. The short term benefits of implementing this claw-back would need to outweigh all potential costs and time burden to MPs, how will that be assessed?</p>	<p>implement the OR CMSC claw-back at this time or revisit the claw-back when MR is implemented. The decision on implementation of OR CMSC claw-back will be based on the results of this analysis and will be presented to stakeholders for discussion in the next stakeholder engagement meeting.</p>
	TransAlta	<p>The proposed claw-back mechanism removes the compliance deadband for inadvertent energy dispatch deviations.</p> <p>A market participant could reduce the risk of claw-backs during inadvertent dispatch deviations by reducing the quantity of OR offered or by injecting less power than its energy dispatch (or withdrawing more power). These actions would reduce the amount of OR in the market or encourage resources to underperform against dispatches. These are not desirable outcomes.</p> <p>TransAlta recommends that the IESO consider establishing an hourly threshold below which claw-backs are not incurred.</p>	<p>The objective of this stakeholder engagement is to ensure that the IESO can access the OR that is scheduled. The proposed OR settlement claw-back is intended to incent participants to offer OR that the IESO can fully access if and when needed, and ensure that the IESO is compensating OR participants for services they can provide. Any reduction in quantity of OR offered and its impact on OR prices are acceptable outcomes as this will reflect the actual OR capability on the system and the true cost of meeting Ontario's OR requirements.</p> <p>The IESO believes that introducing an hourly threshold/deadband will reduce the effectiveness of the OR</p>

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			settlement claw-back to meet the objectives described above.
	Capital Power	<p>The proposed settlement claw-back penalizes MPs despite complying with well-established requirements regarding dispatch instructions and could require delivery of more incremental energy than offered and/or is physically possible.</p> <p>Capital Power recommends the IESO revise the proposed “after-the-fact” settlement claw-back to account for the compliance deadband. Claw-backs should only apply when production rises beyond the upper deadband limit. Exceptions should also be granted if, in response to an activation, the directed incremental energy was delivered in full. These changes respect the compliance deadband, do not create unintended consequences and do not require tool changes since it could be incorporated as part of settlement.</p>	<p>The purpose of the compliance deadband is to allow market participants to deviate within acceptable levels from their dispatch instructions for energy. If participants choose to operate within their compliance deadband, they will not be penalized for deviating from their energy dispatches. However, when participants utilize their compliance deadband, it is their responsibility to offer an OR amount that the IESO can fully access if and when needed within a resource’s physical capability.</p> <p>Please refer to the IESO response to TransAlta above in regards to the including a deadband in the proposed OR settlement claw-back. The proposed OR settlement claw-back will not be applied for intervals when OR is activated. If a resource can provide the incremental energy associated with its OR schedule, which will be determined based on a resource’s capability offered into the</p>

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		<p>Market participants should not be subject to a non-compliance investigation and sanctions from MACD beyond IESO claw-backs, particularly if the IESO had been properly notified by the market participant of the operational deviation and all other reasonable steps to demonstrate compliance were taken.</p>	<p>market and its actual output/consumption, there will not be an OR settlement claw-back. Therefore, the IESO does not believe that an exception is required for the claw-back.</p> <p>The proposed OR settlement claw-back is a settlement charge and not a sanction from MACD. Any non-compliance to market rules is subject to MACD investigations.</p>
	TC Energy	<p>TC Energy is generally supportive of the proposed detailed design of the proposed solution for Improving Accessibility of OR (IAOR).</p> <p>TC Energy is interesting in confirming if the proposed changes address, in IESO's view, all of the Market Surveillance Panel (MSP) recommendations. If they do not, or if further changes are required, TC Energy is interested in understanding what additional changes or adjustments may be considered by the IESO to address all of recommendations. For example, are the proposed changes for IAOR the first stage of a more fulsome</p>	<p>Through this stakeholder engagement, the IESO expects to address the MSP recommendation 3-1 from the <a href="#">May 2017 MSP report</a>. As for other MSP recommendations<sup>1</sup> that are related to the (Operating Reserve Energy Shortfall Fraction (ORESFF)) formula and the materiality threshold, the IESO plans to re-visit these recommendations one year after the proposals being discussed in this stakeholder engagement have taken effect. We expect that one year will be</p>

<sup>1</sup> Recommendations 4-2A and 4-2B in the [March 2018 MSP report](#)

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		<p>overhaul or are they expected to be the final in the IESO's response to the MSP?</p>	<p>a sufficient period to evaluate the effectiveness of proposed changes to improve OR accessibility, which may have an impact on OR activation (ORA) performance.</p>
<p>ORA Performance Criteria</p>	<p>OPG</p>	<p>In summary, before the proposed ORA performance requirements are implemented, there needs to be a comprehensive review of the dispatch compliance deadband. In order to manage the IESO's proposed ORA performance measurement criteria and operational deviances, MPs may need to offer OR in a more conservative manner to ensure full compliance. This may negate the overall purpose of this stakeholder engagement.</p> <p>It is OPG's view that the proposed ORA performance requirements and compliance deadband are heavily dependent on each other, and the proposed solution seems to defeat some of the intended purpose of the dispatch compliance deadband. If MPs are operating legitimately within their dispatch deadband, they should not be penalized if, after an ORA, the IESO incremental energy is short – this responsibility should be with the IESO.</p> <p>The IESO should consider the cost and time burden this proposal imposes on MPs to track the</p>	<p>Thank you for the comments. As the IESO continues to develop the ORA performance criteria proposal based on previous stakeholder feedback received, the IESO will take this additional feedback into consideration as well. An update on the ORA performance criteria proposal will be provided at a future engagement session.</p> <p>The purpose of the compliance deadband is to allow market participants to deviate within acceptable levels from their dispatch instructions for energy. If participants choose to operate within their compliance deadband, they will not be penalized for deviating from their energy dispatches. However, when participants utilize the compliance deadband, it is their responsibility to offer an OR amount that the IESO can fully access if and when needed.</p>

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		<p>incremental energy required to stay compliant with the proposed ORA performance requirements. In previous feedback, OPG proposed that it may be more cost effective for the ratepayer if the IESO developed the capabilities through its dispatch process to determine the amount of incremental energy required during an ORA event and translate this to the ORA dispatch target amount for respective generators and dispatchable loads. If the IESO is unable to implement changes to dispatch tools, OPG recommends the IESO should consider only implementing the OR settlement claw-back mechanism at this time, and incorporate the ORA performance measurement criteria after MR.</p>	
	TransAlta	<p>We support the proposal to define ORA performance in terms of the incremental energy provided and the amount of OR activated. We do not support including energy dispatch performance within the ORA performance measurement criteria.</p> <p>We suggest that the IESO define the OR performance measurement criteria based solely on</p>	<p>Thank you for the comments. As the IESO continues to develop the ORA performance criteria proposal based on previous stakeholder feedback received, the IESO will take this additional feedback into consideration as well. An update on the ORA performance criteria proposal will be provided at a future stakeholder engagement session.</p> <p>The IESO believes this feedback aligns with what is being proposed for ORA</p>

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		<p>the incremental energy provided by a resource and the amount of OR activated.</p>	<p>performance measurement criteria, which is based on the incremental energy change when OR is activated. This incremental energy change should be commensurate to the amount of OR activated.</p>
	<p>Capital Power</p>	<p>The IESO proposes changes to its ORA performance measurement criteria that would require market participants to "...provide both the incremental energy and meet their ORA dispatch targets (at or above the targets for generators and at or below the targets for DLs) to be compliant." Capital Power does not support the proposed revision for reasons outlined below:</p> <p>The proposed ORA performance criteria combined with claw-back could require delivery of more incremental energy than offered and/or is physically possible</p> <p>Performance should be measured and applied symmetrically. The IESO should assess compliance by evaluating the instantaneous output at the time the ORA was issued and after ten minutes. The resource should be deemed compliant if this amount is equal to or greater than the ORA volume.</p>	<p>Thank you for the comments. The IESO is still in the process of discussing the proposal with stakeholders with the proposal and will take your feedback into consideration. The IESO will reconsider the requirements for MPs to provide energy to meet both the incremental energy and the ORA target amounts when finalizing the design for the ORA performance measure criteria.</p>



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	Northland Power	<p>NPI does not agree with the framework that the IESO is contemplating as it appears as though there are design flaws in how participants are treated from a potential compliance standpoint. By following this design, the IESO's programs will negatively impact participants one way or another. You have the RT-GCG program to meet IESO operability needs, and you want to incent participants to offer in the operating reserve market, but you have contradicting drivers between the RT-GCG program and OR markets –with compliance implications.</p>	<p>The Real-Time Generation Cost Guarantee Program (RT-GCG Program) was developed to meet specific objectives and needs that are different than the needs and objectives of the OR markets. The IESO does not believe the needs and objectives being met by the RT-GCG program are contradicted by those of the OR market.</p> <p>The purpose of the proposed ORA performance measure is to ensure that the IESO can get the incremental energy change commensurate to the amount of OR activated. It is participants' responsibility to manage their OR offers such that when OR is activated, they can provide the incremental energy change commensurate to the amount of OR activated.</p>
Additional Comments	OPG	<p>OPG would like to highlight and reiterate our comments from the "Market Renewal Energy Work Stream Detailed Design: Pseudo-Units". OPG strongly supports the position that additional OR scheduling parameters would be beneficial to address OR scheduling issues for both hydroelectric and CCGT plants. OPG previously proposed</p>	<p>Thank you for the comments. These comments should continue to be submitted to the relevant MRP engagement.</p>

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		<p>a new “Energy plus OR Limit” parameter to address infeasible OR scheduling issues experienced by hydroelectric resources (see OPG’s comments on the IESO stakeholder session on Physical Withholding). OPG encourages the IESO to consider OPG’s proposal and notes it could also address OR scheduling issues for other technologies including combined-cycle gas plants.</p>	
	<p>DLs with energy market exemptions</p>	<p>Through individual teleconferences with dispatchable loads with market rule exemptions, common feedback was identified to the IESO regarding how the proposed settlement claw-back mechanism and OR activation performance criteria would impact their OR participation. These stakeholders indicated that the proposals are inconsistent with the details of how they are authorized to operate under their existing energy market exemptions. These energy market exemptions were granted with consideration of the normal cycle of operation of these dispatchable loads, which the proposals do not take into account.</p>	<p>The IESO is continuing to consider how these proposals may impact DLs with energy market exemptions. More information on this topic will be communicated through this engagement at a later date.</p>

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