



Market Rule Amendment Submission

This form is used to request an amendment to, or clarification of, the *Market Rules*. Please complete the first four parts of this form and submit the completed form by email or fax to the following:

Email Address: Rule.Amendments@ieso.ca

Fax No.: (416) 506-2847 Attention: Market Rules Group

Subject: Market Rule Amendment Submission

All information submitted in this process will be used by the *IESO* solely in support of its obligations under the *Electricity Act, 1998*, the *Ontario Energy Board Act, 1998*, the *Market Rules* and associated policies, standards and procedures and its licence. All submitted information will be assigned the *confidentiality classification* of “Public” upon receipt. You should be aware that the *IESO* will *publish this amendment submission* if the *Technical Panel* determines it warrants consideration and may invite public comment.

Terms and acronyms used in this Form that are italicized have the meanings ascribed thereto in Chapter 11 of the *Market Rules*.

PART 1 – SUBMITTER’S INFORMATION

Please enter contact information in full.

Name: IESO Staff

(if applicable) *Market Participant /
Metering Service Provider* No.¹: N/A

Market Participant Class:
N/A

Telephone: 905-855-6172

Fax: 905-855-6371

E-mail Address: rule.amendments@ieso.ca

PART 2 – MARKET RULE AMENDMENT SUBMISSION INFORMATION

Subject: Settlements

Title: Limiting Payments to Exports during Negative Prices

Nature of Request (please indicate with x)

Alteration

Deletion

Addition

Clarification

Chapter: 9 Appendix: _____ Sections: 3.3, 3.5

Sub-sections proposed for amending/clarifying: 3.3.2.1, 3.3.2.1A, 3.5.2, 3.5.6F

¹ This number is a maximum of 12 characters and does not include any spaces or underscore.

PART 3 – DESCRIPTION OF THE ISSUE

Provide a brief description of the issue and reason for the proposed amendment. If possible, provide a qualitative and quantitative assessment of the impacts of the issue on you and the *IESO-administered markets*. Include the Chapter and Section number of the relevant *market rules*.

Summary

This amendment would limit the settlement price for export transactions whenever the Intertie zonal clearing price (ZCP) in the applicable zone is negative and the intertie is not import congested. .

Background

In the current hybrid market structure, export transactions can result in additional unnecessary cost to the consumer when the price is negative.

When an electricity system has surplus generation, the market clearing price is set by a relatively low-cost marginal resource, and the price may be negative. Although negative offers can reflect the marginal cost of certain generators, in Ontario negative market clearing prices are not necessarily an accurate reflection of true costs because of the various contract designs and regulatory compensation within the hybrid market.

For example, the Ontario Power Authority (OPA) contracts ensure that Ontario generators recover their costs of investment in generation capacity where spot market revenues are insufficient to cover those costs. If generators are operating at artificial negative prices due to the contract designs, payments from Ontario consumers to exports may exceed the value of those exports.

Therefore, whenever the energy market price in an intertie zone is negative, it is proposed to limit the energy market price to \$0/MWh or a price slightly less than zero to cover IESO, Export Tariff and uplift fees, such that the export would leave the province at a net cost of \$0/MWh for the settlement of export transactions in that zone. This means that exporters can bid between +/- maximum market clearing price (MMCP) but whenever the zonal clearing price (ZCP) is negative and the intertie is not import congested, exporters would be settled at a clearing price not less than zero. Exporters would continue to be settled using the prevailing ZCP whenever ZCP is greater than or equal to \$0/MWh.

It is recognized that there may be surplus generation events where paying exporters to consume would be a less costly solution than the alternative, such as shutting down a nuclear unit. A floor price for the settlement of export transactions could deter exporters and potentially jeopardize future regional efficiencies. To mitigate this risk, the settlement floor price for export transactions would be a temporary arrangement until the dispatch processes for variable generation and various floor prices for offers from baseload generators are established through stakeholder engagement [SE-91 Renewable Integration](#).

In parallel with this rule amendment, the IESO is working with the OPA and generators to improve the effectiveness of market price signals. The outcome of those discussions will also help to determine the continued need for a floor price for export transactions.

PART 4 – PROPOSAL (BY SUBMITTER)

Provide your proposed amendment. If possible, provide suggested wording of proposed amendment.

Amend the market rules such that export transactions are not paid to withdraw and congestion management settlement credit (CMSC) payments associated with export transactions are limited whenever the energy market price in the applicable zone is negative and the intertie is not import congested.

PART 5 – FOR IESO USE ONLY

Technical Panel Decision on Rule Amendment Submission: Warrants Consideration

MR Number: MR-00393

Date Submitted to *Technical Panel*: June 6, 2012

Accepted by *Technical Panel* as: (please indicate with x)

Date:

General Urgent Minor

June 13, 2012

Criteria for Acceptance: The amendment criteria identifies means to better enable the market to satisfy the market design principle of efficiency, specifically in the provision of electricity by minimizing the total resource costs of providing power to all customers.

Priority: Regular

Criteria for Assigning Priority: In the current hybrid market structure, export transactions can result in additional unnecessary costs to the consumer when the price is negative.

Not Accepted (please indicate with x):

Clarification/Interpretation Required (please indicate with x):

Technical Panel Minutes Reference: 262-1

Technical Panel Comments: Technical Panel members requested that the IESO provide more analysis with respect to the expected cost savings and regulatory risks. In addition, it was requested that the IESO consider a formal sunset clause and a monitoring regime. It was also requested that the IESO look at a more broad approach similar to the direction of the floor price rules.