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## Market Rule Amendment Submission

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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](mailto: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.<sup>1</sup>: N/A

*Market Participant Class:*  
N/A

Telephone: 416 506-2801

Fax: 416 506-2847

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

### PART 2 – MARKET RULE AMENDMENT SUBMISSION INFORMATION

Subject: Market Pricing

Title: Emergency Control Actions and Counter-Intuitive Prices

Nature of Request (please indicate with x)

Alteration       Deletion       Addition       Clarification

Chapter: 7      Appendix: 7.5      Sections: 8.4A

Sub-sections proposed for amending/clarifying: Various

<sup>1</sup> 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*.

1. On April 7, 2005, conditions arose that necessitated the IESO to implement, as per approved procedures, a number of emergency control actions to maintain the reliable operation of the IESO-controlled grid. These emergency control actions included both voltage reductions and the purchase of emergency energy from neighbouring jurisdictions. As a consequence of these actions and their representation in the uniform market clearing price calculations, the wholesale market clearing price fell. The resulting price behaviour was counter-intuitive to the stressed conditions being experienced on the system.
2. Since market commencement, excluding the August 2003 blackout and corresponding recovery:
  - the IESO has purchased emergency energy on 22 occasions including April 7, 2005; and
  - the IESO has only initiated a voltage reduction once, on April 7, 2005.
3. Under the current market rules and treatment, voltage reductions and emergency energy purchases result in a reduction in demand in the IESO-administered markets. A voltage reduction by its very nature reduces demand, while emergency energy purchases are input by the IESO as a reduction in demand in the constrained sequences so that the dispatch scheduling algorithm can dispatch other supply resources to meet the rest of the demand. These demand reductions, whether resulting from a voltage reduction or an emergency energy purchase, have the effect of also lowering market prices.
4. The IESO initiates emergency control actions at times of system stress, which are typically times of tight supply-demand balance and high market prices. The high market prices send an appropriate and necessary signal to the market for suppliers to come to market and for load to reduce demand. The market price reductions resulting from an emergency energy purchase or voltage reduction sends a counter-intuitive price signal to the market at these times of system stress. This counter-intuitive price signal has the ultimate effect of undermining both the efficiency of the market and the confidence that market participants have in the market.
5. Changes in the IESO administered markets have been made by the IESO since market opening to reduce the frequency of such conditions. These changes include the implementation of control action operating reserve and the creation of the spare generation on-line program. In addition supply within Ontario has increased. These measures serve to reduce the chance that emergency control actions being required by the IESO to maintain the reliable operation of the IESO-controlled grid. However, they do not eliminate the underlying aspects of market price determination that lead to counter-intuitive price outcomes. These actions may still happen at anytime and thus there is a priority need to address the counter-intuitive pricing that can be created by the use of these actions.
6. It should be noted, however, that actual demand response to high prices can occur at times of system stress and that this response will result in reduced demand and lower prices. In these instances it is market forces that are causing reduced demand and lower prices not IESO

**PART 3 – DESCRIPTION OF THE ISSUE**

actions.

**PART 4 – PROPOSAL (BY SUBMITTER)**

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

Amend Section 8.4A of Chapter 7 to permit the IESO to use the existing administrative pricing market rules to administer market prices and market schedules in the circumstance where the IESO has undertaken an emergency control action and the IESO determines that as a result of this action, real-time energy market prices or operating reserve prices have declined in a counter-intuitive fashion. This would allow market prices to approximate the value of electricity during the event.

Amend Appendix 7.5 of the market rules in the following manner:

- insert a rule that would enable the IESO to adjust market demand in the market schedule when specified emergency control actions are undertaken that affect market demand; and
- amend sections 2.2.1.16 and 3.2.1.4 by specifying that emergency energy purchases shall not be represented as a change in non-dispatchable load in the market schedule.

**PART 5 – FOR IESO USE ONLY**

*Technical Panel Decision on Rule Amendment Submission:* \_\_\_\_\_

MR Number: MR-00296-Q00

Date Submitted to *Technical Panel*: May 30, 2005

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

Date:

General       Urgent       Minor

May 30, 2005

Criteria for Acceptance: Identifies means to better enable the market to satisfy the market design principles and it identifies an IESO-controlled grid operating reliability concern.

Priority: High

Criteria for Assigning Priority: Impact on market participants. The existence of counter-intuitive prices occurring during periods when emergency control actions are undertaken by the IESO impacts all market participants since the price signals do not reflect actual system conditions.

Not Accepted (please indicate with x):

Clarification/Interpretation Required (please indicate with x):

*Technical Panel Minutes Reference:* IESOTP 164-1

**PART 3 – DESCRIPTION OF THE ISSUE**

*Technical Panel* Comments: The Technical Panel believes this is a first step in resolving counter-intuitive pricing in the IESO-administered markets. The Technical Panel feels this issue is the highest priority for the IESO.