



Market Rule Amendment Proposal

PART 1 – MARKET RULE INFORMATION

Identification No.: MR-00206-R00	
Subject: Reliability Must-Run Contracting	
Title: Clarification of Application of Reliability Must Run Contracting	
Nature of proposal (please indicate with X): <u> X </u> Alteration <u> </u> Deletion <u> </u> Addition	
Chapter: 5	Appendix:
Sections: 4.8	
Sub-sections proposed for amending: 4.8.1, 4.8.2 and 4.8.3	

PART 2 – PROPOSAL HISTORY

Version	Reason for Issuing	Version Date
	Amendment submission reviewed by Technical Panel (TP 110)	
1.0	Technical Panel review	October 2, 2002
2.0	Incorporate Technical Panel comments and post for stakeholder consultation	October 21, 2002
3.0	Technical Panel consideration and vote (IMOTP 116-3b)	November 19, 2002
4.0	Technical Panel approved (IMOTP 116-3b)	November 19, 2002
5.0	IMO Board approved	December 13, 2002

Approved Amendment *Publication Date*: December 17, 2002

Approved Amendment *Effective Date*: March 5, 2003

PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

Provide a brief description of the following:

- The reason for the proposed amendment and the impact on the *IMO-administered markets* if the amendment is not made
- Alternative solutions considered
- The proposed amendment, how the amendment addresses the above reason and impact of the proposed amendment on the *IMO-administered markets*.

It is proposed to remedy inconsistencies in the market rules regarding reliability must-run (RMR) contracts so as to clarify and confirm that RMR contracting may apply to generation facilities, dispatchable load facilities and boundary entities. These amendments will make it clear that the IMO may utilize RMR contracting in those situations where the operation of a generation facility, dispatchable load or boundary entity is needed to maintain reliability of the IMO-controlled grid.

As noted above, the current market rules are not consistent in the specification of which facilities may be subject to RMR contracting. In some references, it is specified that only generation facilities may be subject to this type of contracting (e.g. the definition of a RMR contract in chapter 11 identifies application to generation facilities only). Other market rule references identify “registered facilities” under RMR contracting (e.g. chapter 7 section 3.3.16 refers to “registered facility...has a reliability must-run contract”). This latter reference would imply that any generation or load facility, dispatchable or non-dispatchable, or boundary entity might have an RMR contract.

Since market commencement, situations have occurred where an outage of a transmission element in the IMO-controlled grid meant that the supply of energy from a boundary entity was necessary to maintain reliability. The IMO has the authority to direct a market participant, including a boundary entity, to submit dispatch data in order to maintain reliability (reference chapter 7 sections 3.3.10-3.3.15). However, in the situation where the boundary entity has market power for a local area, it is appropriate that the IMO and the boundary entity be able to use RMR contracting to ensure reliability of the local area to the mutual benefit of the boundary entity and the IMO. This treatment is consistent with the principles of RMR contracting contained in section 9.6 of chapter 7. For this reason, it is necessary that the application of RMR contracting be clearly stated to include boundary entities.

It is also possible that a similar circumstance may arise where the specific operation of a dispatchable load (e.g. to supply operating reserve) is necessary to maintain reliability. To address these future situations, it is also proposed that RMR contracting be clearly stated to include dispatchable loads. Although no such specific circumstances have arisen to date, there are specific local areas in the IMO-controlled grid where such a circumstance may arise.

It is also proposed to clarify that RMR contracting would not apply to non-dispatchable loads at this time. A non-dispatchable load, by its very nature and current market design, cannot be dispatched to provide energy or operating reserve (i.e. physical services, other than contracted ancillary services). The provision of energy or operating reserve is the reason for an RMR contract. For this reason, it is proposed to explicitly exclude non-dispatchable loads from RMR contracting at this time.

It is proposed that the clarification of the application of RMR contracting to boundary entities and dispatchable loads, but not to non-dispatchable loads, be achieved through the following amendments to the market rules:

- Amending chapter 7 section 4.8.1 and the definition of reliability must-run contract in chapter 11 to explicitly specify the application to generation and dispatchable load facilities as well as

PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

Provide a brief description of the following:

- The reason for the proposed amendment and the impact on the *IMO-administered markets* if the amendment is not made
- Alternative solutions considered
- The proposed amendment, how the amendment addresses the above reason and impact of the proposed amendment on the *IMO-administered markets*.

to boundary entities (refer to R03 for the amended definition); and

- Revise market rule references in chapter 5 and chapter 7 to “facilities” or “registered facilities” subject to RMR contracts to “reliability must-run resources” in order to clarify that the references are only to generation and dispatchable load facilities and boundary entities as included in the proposed amended section 4.8.1 and definition.

Other market rule amendments of a housekeeping nature are also proposed at this time. These amendments include:

- Changing the reference of the entity with which the IMO will enter into a reliability must-run contract from “licensee or prospective licensee” to “registered market participant or prospective registered market participant”. The existing reference contemplated that there may be non-market participants (e.g. operators of embedded generation facilities or operators of facilities not yet built but that would be connected to the IMO-controlled grid) with which the IMO may need to contract. However, the IMO no longer foresees the need for contracting for the operation of embedded facilities. Given that outlook, it is more appropriate to refer to the “registered market participant or prospective registered market participant” as the entity with which the IMO may contract. It is the “registered market participant” for a facility that has the authority/obligation to submit dispatch data and accept dispatch instructions from the IMO for a given facility. This proposed change is introduced in section 4.8.2 below, and other sections as shown;
- Removing references to IMO actions prior to the market commencement date, as they are no longer relevant. This proposed change is shown in section 4.8.2 below;
- Removing section 4.8.3 entirely, as the provisions of this section are duplicative of the provisions of section 4.8.2;
- Including a reference to section 9.6.4 of chapter 7 when stating the obligation of the market participant to enter into a RMR contract with the IMO. This reference clarifies that the IMO cannot compel a registered market participant to enter into a RMR contract where the reliability must-run resource is likely to be dispatched as a constrained on facility or constrained off facility; and
- Making consistent references that “physical services, other than contracted ancillary services” would be provided by a reliability must-run resource. Some existing references are to “physical services”, while other references are to “energy and ancillary services, other than contracted ancillary services”. Physical services by definition are energy and ancillary services (where ancillary services include operating reserve).

PART 4 – PROPOSED AMENDMENT

4.8 Reliability Must-Run Resources

- 4.8.1 The *IMO* may need to call on specific *registered facilities, excluding non-dispatchable load facilities*, to maintain the *reliability* of the *IMO-controlled grid* whenever sufficient resources for the provision of *physical services, energy or ancillary services*, other than *contracted ancillary services*, are not otherwise offered in the *IMO-administered markets*. Such *applicable registered facilities* are referred to as *reliability must-run resources* and shall be procured either through *reliability must-run contracts* in accordance with this section 4.8 and sections 9.6 and 9.7 of Chapter 7 or by means of the process for directing the submission of *dispatch data* referred to in sections 3.3.10 to 3.3.17 of Chapter 7.
- 4.8.2 The *IMO* shall identify all *reliability must-run resources facilities* in respect of which it wishes to conclude *reliability must-run contracts* and may, ~~prior to the market commencement date~~, enter into *reliability must-run contracts* with the registered market participant or prospective registered market participant for such reliability must-run resource ~~them~~. Where the *IMO* identifies such a *reliability must-run resource facility*, the *registered market participant licensee* or prospective *registered market participant licensee* for such *reliability must-run resource facility* shall, subject to section 9.6.4 of chapter 7, contract with the *IMO* to supply *physical services, energy, ancillary services* other than *contracted ancillary services*, ~~or both~~ to the *IMO-controlled grid* for *reliability* purposes in accordance with sections 9.6 and 9.7 of Chapter 7. ~~Each such reliability must-run contract shall provide the IMO with the ability to call on the reliability must-run resources facilities covered by the reliability must-run contract in accordance with section 9 of Chapter 7 and shall comply with Chapter 7.~~
- 4.8.3 ~~The IMO may remove or add facilities from or to the list of reliability must-run resources with which it has or wishes to conclude contracts after the market commencement date. In cases where the IMO determines, in accordance with section 9.6.2 or 9.6.5 of Chapter 7, that it shall add a facility to such list, the licensee or prospective licensee for such facility shall, subject to section 9.6.4 of Chapter 7, contract with the IMO to supply energy, ancillary services other than contracted ancillary services, or both to the IMO-controlled grid for reliability purposes in accordance with sections 9.6 and 9.7 of Chapter 7. [Intentionally left blank]~~
- 4.8.4 The provisions of this section 4.8 and of any *reliability must-run contracts* shall be consistent with the provisions of the *license* of the *IMO* that incorporate the terms of any directive issued by the *Minister* to the *Ontario Energy Board* pursuant to subsection 28(1) of the *Ontario Energy Board Act, 1998* or that incorporate terms imposed by the *Ontario Energy Board* in furtherance of the exercise of its powers under subsection 70(5) of the *Ontario Energy Board Act*,

1998. In the event of any inconsistency between such terms and the provisions of this section 4.8 or of any *reliability must-run contracts*, such terms shall govern.

PART 5 – IMO BOARD COMMENTS



Market Rule Amendment Proposal

PART 1 – MARKET RULE INFORMATION

Identification No.: MR-00206-R01	
Subject: Reliability Must-Run Contracting	
Title: Clarification of Application of Reliability Must Run Contracting	
Nature of proposal (please indicate with X): <u> X </u> Alteration <u> </u> Deletion <u> </u> Addition	
Chapter: 7	Appendix:
Sections: 9.6	
Sub-sections proposed for amending: 9.6.1, 9.6.2, 9.6.4, 9.6.5, 9.6.6, 9.6.8, 9.6.9, 9.6.10 and 9.6.12	

PART 2 – PROPOSAL HISTORY: REFER TO MR-00206-R00

Version	Reason for Issuing	Version Date

Approved Amendment *Publication Date*:

Approved Amendment *Effective Date*:

PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

Provide a brief description of the following:

- The reason for the proposed amendment and the impact on the *IMO-administered markets* if the amendment is not made
- Alternative solutions considered
- The proposed amendment, how the amendment addresses the above reason and impact of the proposed amendment on the *IMO-administered markets*.

The proposed changes are consequential to those described in MR-00206-R00. Refer to MR-00206-R00 for detailed rationale for those changes.

It is also proposed to remove section 9.6.12. This section is no longer required, as a consequence of the proposed change to specify that the IMO will only contract with the registered market participant or prospective registered market participant.

It is also proposed to use terminology within section 9.6.5 that is consistent with the outage coordination provisions of section 6 of chapter 5 of the market rules regarding IMO revoking advance approval of outages.

Finally, section 9.6.2.1 is amended to correct a non-italicized term.

PART 4 – PROPOSED AMENDMENT

9.6 Definition and Principles of Must-Run Contracts

9.6.1 The *IMO* may, under the conditions and in accordance with the processes specified in this section 9.6, enter into a *reliability must-run contract* with the ~~*licensee-registered market participant*~~ or the prospective *registered market participant*~~*licensee*~~ for a *reliability must-run resourcefacility*. Where the *IMO* and a ~~*registered market participant*~~~~*licensee*~~ or prospective *registered market participant* ~~*licensee*~~ enter into a *reliability must-run contract* with respect to a given *reliability must-run resourcefacility*, the *IMO* may direct that *reliability must-run resource facility* to operate in specific ways when instructed by the *IMO* to do so for reasons of *reliability*, other than for reasons of a lack of overall *adequacy* of the *IMO-controlled grid*, regardless of whether *dispatch data* has been submitted with respect to that *reliability must-run resourcefacility*.- Nothing in this section shall be construed as preventing the *IMO* from taking such other action in respect of such *reliability must-run resourcefacility* as may be permitted by these *market rules* to address a concern for overall *adequacy*.

9.6.2 Subject to section 9.6.4, the *IMO* may enter into a *reliability must-run contract* based on studies performed by the *IMO* that indicate:

- 9.6.2.1 in accordance with section 9.6.3, that a *reliability must-run resource* is required to be available for the purposes of *reliability*, other than in situations of overall ~~adequacy~~*adequacy* of the *IMO-controlled grid*; or
- 9.6.2.2 a ~~*reliability must-run resource facility*~~ is likely to be *dispatched* as a *constrained on facility* or a *constrained off facility* and that such a contract would avail to the mutual benefit of the parties.
- 9.6.3 The studies referred to in section 9.6.2.1 shall include a consideration of whether concerns regarding *reliability*, other than regarding a lack of overall *adequacy* of the *IMO-controlled grid*, can be addressed by means of the process for directing the submission of *dispatch data* or for imposing a restriction on the revision of *dispatch data* referred to in sections 3.3.10 to 3.3.17 or of the process by which the *IMO* approves *outages* pursuant to section 6 of Chapter 5.
- 9.6.4 The *IMO* shall enter into a *reliability must-run contract* pursuant to section 9.6.2.2 in respect of a ~~*reliability must-run resource facility*~~ only where the ~~*licensee-registered market participant*~~ or the prospective ~~*registered market participant*~~*licensee* for the ~~*reliability must-run resource facility*~~ so agrees.
- 9.6.5 Where:
- 9.6.5.1 the *IMO* would be required to reject, ~~revoke advance approval of, defer~~ or recall the *planned outage* of a ~~*registered facility*~~ pursuant to section 6 of Chapter 5 but for the availability of a ~~no other~~ ~~*reliability must-run resource facility*~~; and
- 9.6.5.2 the ~~*reliability must-run resource other facility*~~ referred to in section 9.6.5.1 has planned a temporary reduction in staff that would restrict or prevent operation of that other ~~*registered facility*~~,
- the *IMO* may enter into a *reliability must-run contract* in respect of the ~~*reliability must-run resource other facility*~~ referred to in section 9.6.5.1 provided that:
- 9.6.5.3 staffing adequate to permit that ~~*reliability must-run resource other facility*~~ to operate under the *reliability must-run contract* can be arranged by that ~~*reliability must-run resource other facility*~~ within the time required; and
- 9.6.5.4 the conclusion of the *reliability must-run contract* referred to in section 9.6.5.3 would avoid the need for the *IMO* to reject, ~~revoke advance approval of, defer~~ or recall the *planned outage* referred to in section 9.6.5.1.
- 9.6.6 The *IMO* may call upon a ~~*reliability must-run resource facility that is subject to with which it has*~~ a *reliability must-run contract* if and only if the *IMO* determines that *market participants* will not offer sufficient *physical services* into

- the *real-time markets* to enable the *IMO* to maintain *reliability*, other than in respect of a lack of overall *adequacy* of the *IMO-controlled grid*.
- 9.6.7 Subject to section 9.6.10, the *IMO* shall use one or a combination of the following processes to conclude *reliability must-run contracts* pursuant to section 9.6.2:
- 9.6.7.1 where practical, the *IMO* shall employ a competitive tendering or negotiation process to identify multiple potential suppliers and to determine competitive prices and other terms for the *reliability must-run contract*; or
- 9.6.7.2 the *IMO* may negotiate *reliability must-run contracts* with a single potential supplier where the *IMO* determines that this will result in reasonable prices and other terms.
- 9.6.8 Subject to sections 9.6.10 and 9.6.11:
- 9.6.8.1 the *IMO* may develop ~~standard~~ forms of *reliability must-run contracts* for use in conjunction with sections 9.6 and 9.7,
provided that
- 9.6.8.2 a standard form *reliability must-run contract* developed for use in conjunction with a ~~*reliability must-run resource facility*~~ that has planned a temporary reduction in staff that would restrict or prevent its operation, including but not limited to the circumstances described in section 9.6.5, shall provide compensation only for the out-of-pocket costs including, but not limited to, the costs of providing adequate staffing, incurred solely to permit the ~~*reliability must-run resource facility*~~ to be prepared to provide *physical services* if *dispatched* to do so, but no such compensation shall be payable in respect of *dispatch intervals* when the ~~*reliability must-run resource facility*~~ is *dispatched* to provide such *physical services* and is entitled to payment therefor as a result of such dispatch.
- 9.6.9 Subject to sections 9.6.10 and 9.6.11, the *IMO* may include in any *reliability must-run contract*, ~~other than a standard form *reliability must-run contract* referred to in section 9.6.8.2, the compensation provisions referred to in section 9.6.8.2~~ or such other compensation provisions as the *IMO* determines appropriate.
- 9.6.10 Where the *IMO* determines, in accordance with any guidelines issued by the *Ontario Energy Board*, that the processes noted in sections ~~9.6.5 or 9.6.7~~ will not accomplish a fair and efficient outcome the *IMO* shall, if required by its *licence*:
- 9.6.10.1 establish and submit for the approval of the *Ontario Energy Board* a standard, cost-based *reliability must-run contract*;

- 9.6.10.2 contract with the *registered market participant or prospective registered market participant licensee* in respect of the relevant *reliability must-run resource facility* using a *reliability must-run contract* in the form approved by the *Ontario Energy Board* pursuant to section 9.6.10.1; and
- 9.6.10.3 file the *reliability must-run contract* referred to in section 9.6.10.2 with the *Ontario Energy Board* for approval following the conclusion of such contract.
- 9.6.11 The provisions of sections 9.6.8, 9.6.9 and 9.7.1 shall be subject to any contrary provisions contained in:
- 9.6.11.1 any *licence*; or
- 9.6.11.2 the terms of any *reliability must-run contract* the terms of which are required by a *licence* to be, and have been, approved by the *Ontario Energy Board*.
- 9.6.12 ~~Each person that:~~[Intentionally left blank]
- 9.6.12.1 ~~[Intentionally left blank] has entered into a reliability must run contract with the IMO; and~~
- 9.6.12.2 ~~[Intentionally left blank] is not, at any time during the term of such reliability must run contract, the registered market participant for that facility,~~
- ~~shall ensure that the registered market participant for that facility complies with the provisions of the reliability must run contract.~~

PART 5 – IMO BOARD COMMENTS



Market Rule Amendment Proposal

PART 1 – MARKET RULE INFORMATION

Identification No.: MR-00206-R02	
Subject: Reliability Must-Run Contracting	
Title: Clarification of Application of Reliability Must Run Contracting - Definitions	
Nature of proposal (please indicate with X): <u> X </u> Alteration <u> </u> Deletion <u> </u> Addition	
Chapter: 11 (definitions)	Appendix:
Sections:	
Sub-sections proposed for amending: 1.1.1.309	

PART 2 – PROPOSAL HISTORY: REFER TO MR-00206-R00

Version	Reason for Issuing	Version Date

Approved Amendment *Publication* Date:

Approved Amendment *Effective* Date:

PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

Provide a brief description of the following:

- The reason for the proposed amendment and the impact on the *IMO-administered markets* if the amendment is not made
- Alternative solutions considered
- The proposed amendment, how the amendment addresses the above reason and impact of the proposed amendment on the *IMO-administered markets*.

The proposed changes to the definition clarify that reliability must-run contracting can apply to all registered facilities, excluding non-dispatchable load facilities. The detailed rationale for the proposed change is in MR-00206-R00.

Another proposed change to the definition is to clarify that these contracts would be used to maintain reliability of the “IMO-controlled grid”, rather than the reliability of the “electricity system”. The reliable operation of the “IMO-controlled grid” is used elsewhere in the market rules in defining the intent of reliability must-run contracts, and is the appropriate reference as the IMO has the obligation of maintaining reliable operation of the “IMO-controlled grid”.

PART 4 – PROPOSED AMENDMENT

- 1.1.1.309 *reliability must-run contract* means a contract between the *IMO* and a *registered market participant or prospective registered market participant generator for a registered facility that is or will be a generation facility, a dispatchable load facility or a boundary entity,* which allows the *IMO* to call on that *registered market participant’s or prospective registered market participant’s generator’s generation registered facility facilities* in order to maintain *reliability* of the *IMO-controlled grid*~~electricity system~~;

PART 5 – IMO BOARD COMMENTS



Market Rule Amendment Proposal

PART 1 – MARKET RULE INFORMATION

Identification No.: MR-00206-R03	
Subject: Reliability Must-Run Contracting	
Title: Clarification of Application of Reliability Must Run Contracting - Settlements	
Nature of proposal (please indicate with X): <u> X </u> Alteration <u> </u> Deletion <u> </u> Addition	
Chapter: 9	Appendix:
Sections: 4.2 and 6.5	
Sub-sections proposed for amending: 4.2.1 and 6.5.3	

PART 2 – PROPOSAL HISTORY: REFER TO MR-00206-R00

Version	Reason for Issuing	Version Date

Approved Amendment *Publication* Date:

Approved Amendment *Effective* Date:

PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

Provide a brief description of the following:

- The reason for the proposed amendment and the impact on the *IMO-administered markets* if the amendment is not made
- Alternative solutions considered
- The proposed amendment, how the amendment addresses the above reason and impact of the proposed amendment on the *IMO-administered markets*.

The proposed changes are consequential to those described in MR-00206-R00. Refer to MR-00206-R00 for detailed rationale for these changes.

It is also proposed to delete the term “generation” in reference to a reliability must-run resource making generation available. This term should be replaced with “physical services, other than contracted ancillary services” as this term more accurately describes what services are provided by reliability must-run resources.

PART 4 – PROPOSED AMENDMENT**4.2 Ancillary Service Payments**

- 4.2.1 The *IMO* shall have the authority to negotiate *reliability must-run contracts* with *registered market participants or prospective registered market participants regarding the operation of reliability must-run resources*~~*generators*~~ in accordance with section 9 of Chapter 7. Where such *reliability must-run contracts* provide both for payments from the *energy market* and *operating reserve market* pursuant to section 3 and additional payments for making ~~*generation*~~*physical services, other than contracted ancillary services*, available to those markets, any such additional payments required to be made in a given *energy market billing period* shall be recovered from *market participants* through a uniform charge, in \$/MWh, imposed on a pro-rata basis across all allocated quantities of *energy* withdrawn at all *RWMs* and at all *inertie metering points* during all *metering intervals* and *settlement hours* within that *energy market billing period*.

.....

6.5 Preliminary Statement Coverage

.....

6.5.3 The *preliminary settlement statements* referred to in section 6.5.2A shall be in electronic format and shall set forth, for the *market participant* to whom the *preliminary settlement statement* is issued and referenced by applicable *charge type*:

.....

6.5.3.6 the availability payments to be made in each *billing period* under *reliability must-run contracts* to each of that *market participant's* *reliability must-run resources*~~*generation units*~~;

PART 5 – IMO BOARD COMMENTS