Partial and Pre-emptive Curtailments and CMSC

Partial and Pre-emptive Curtailments and CMSC

At a previous Intertie Traders Meeting a discussion was brought forward with respect to the IESO looking into an after-the-fact query tool to ensure there is no lost CMSC due to partial failures where two codes are applicable.

An example of this would be the following:

- A transaction is automatically constrained on by the DSO, and the IESO is required to partially curtail the transaction off using a TLRe code. Because the TLRe code does not pay CMSC it brings the market schedule equal to the constrained schedule. In these situations the settlement statement for that transaction may not accurately reflect the CMSC the participant was entitled to.

This situation is widely known by participants and the CMSC is reinstated largely through the NOD process. The IESO has undertaken an exercise to develop a "query tool" to find these transactions and manually change the market schedule to ensure the correct CMSC is calculated prior to the preliminary settlement statement.

In the process of developing this tool, we discovered that this situation could also arise with the use of pre-emptive curtailments – a process that the IESO has been using more frequently since July 2009 due to the high number of TLRs in New York.

Pre-Emptive Curtailments

(As discussed and noted on July 30, 2009 http://www.ieso.ca/imowebpub/200910/IJT-20090730-Notes_with_comments.pdf)

If the IESO is experiencing substantial curtailments (due to an external TLR) and we anticipate through discussion with the external entity that those curtailments (the TLR) will last for several hours, we pre-emptively curtail non-firm transactions on an economic basis at T-90. The amount of MW curtailed at T-90 is equal to a conservative estimate of the amount of transactions that we expect to be (cut by the TLR) curtailed at T-30. At the same time we fix all other transactions to their PD-2 schedule in order to ensure that more MWs do not get scheduled in PD-1, only to be curtailed (by the TLR). When we fix these transactions we use TLRe MAX constraints on export transactions and TLRe MIN constraints on import transactions.

For example, a TLR in New York is curtailing 700 MW of export transactions to Michigan resulting in a net export flow of 1200 MW for two hours in a row. Discussions with NYISO state that the TLR is expected to last for the next 6 hours. As a result, we decide to pre-emptively curtail transactions to get to a net export flow of 1300 MW. If we were to only curtail transactions at PD-2, the next run of predispatch would economically schedule more transactions and the TLR would curtail 700 MW again at T-30. This would result in the same inefficient and unreliable outcome as if we did not pre-emptively curtail any transactions. For this reason we hold all other transactions on the Michigan interface so that going PD-1 will not schedule more than 1300 MW export net flow. Imports would be allowed to be scheduled for MWs and exports for less MWs.

The problem we have seen occurs when an import or export transaction is constrained on automatically by the DSO in the PD-2 run and we subsequently min/max them to this schedule. As a result of applying the TLRe code to the transaction, the unconstrained schedule is set equal to the constrained schedule. The trader, who was uneconomic but constrained on now loses their CMSC as a result of us applying the TLRe constraint.

The intent of these pre-emptive curtailments was to fix the net flow and all associated transactions based on the PD-2 schedule. This means that if an export transaction becomes more economic in the PD-1 they will not be scheduled nor will they receive any compensation, however they should also be entitled to any CMSC that would have been generated based on their PD-2 schedule.

Example:

Import from MICH-ON

<u>PD-2 Schedule:</u>

Unconstrained: 0MW
Constrained: 100MW

Without any pre-emptive curtailments, price changes or TLR curtailments to this transaction, the import would have had this PD-2 schedule as its dispatch schedule and the trader would receive CMSC for 100MW.

However, if we TLRe MIN the transaction when using pre-emptive curtailments, predispatch will re-run if the transaction does not become economic or get constrained on for more MWs the resulting PD-1 schedule will be:

Unconstrained: 100MW
Constrained: 100MW

If the transaction is not subsequently curtailed at checkout the current result with be a transaction of 100MW, which is not entitled to CMSC.

<u>Recommendations</u>

The IESO is currently working on a "query tool" that will rectify the following market schedules prior to the preliminary statement:

- for transactions that are automatically constrained on by the DSO in Pd-1 and subsequently partially failed at T-30 because of an external operator's actions the market schedule will be brought back to the Pd-1 market schedule result.

- for transactions that are automatically constrained on by the DSO in Pd-2 and are fixed to their Pd-2 schedule when the IESO is pre-emptively curtailing transactions, the market schedule will be brought back to the Pd-2 market schedule unless that transaction is subsequently curtailed to 0 at T-30 with TLRe, OTH or MrNh.

Recognizing, that we have brought this to your attention and until such time that this tool can be put into place, should you have any concerns, you may submit such through the NOD process.