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Market Rule Exemption Amendments

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Purpose and Summary

Purpose

- Seeking Exemption Panel decision on amendments to four existing Market Rule exemptions to align with the renewed market rules implemented by MRP.
- Exemption amendment applicants: Ivaco Rolling Mills, Gerdau Ameristeel Corporation, ArcelorMittal Dofasco G.P. and NRStor Goderich CAES LP (“the applicants”).

Executive Summary

- The applicants are seeking to amend their existing exemptions to align the exemptions with the renewed market and revised Market Rules.
- The proposed amendments are administrative in nature and do not change the nature of the previously granted exemptions.
- Without these amendments, the exemptions will not be consistent with the renewed market rules, which may cause confusion and lead to concerns regarding their effectiveness and relevance.

Exemption Amendment Process

- Exemption Amendment Process added to Market Manual 2.2 in December 2024, in part to facilitate the transition of MRP.
- The scope of the amendment processes is specific to the proposed amendments, and is not a re-evaluation of the merits of existing exemption.
 - IESO Staff Recommendations do not identify any impacted assessment criteria as a result of these proposed amendments.
- To maximize efficiency, the process is flexible, depending on the nature of the proposed amendments, recognizing that some amendments may be minor or administrative in nature.
 - Given the administrative nature of these amendments, the lack of impact on the assessment criteria, the recent consideration of these existing exemptions, and the limited stakeholder participation when these existing exemptions were recently heard, the IESO is recommending a streamlined process that does not invite third party comments.
 - Exemption Panel retains the authority to specify a different process than as recommended by IESO staff.

Dispatchable Load Exemption Background

- Ivaco Rolling Mills, Gerdau Ameristeel Corporation and ArcelorMittal Dofasco G.P. are large industrial loads that have similar exemptions from the Market Rules for their Electric Arc Furnaces ("EAF"). The exemptions allow the EAFs to participate in the Operating Reserve ("OR") markets as dispatchable loads ("DL").
 - SUMMARY OF EXISTING EXEMPTION: Due to IESO tool limitations, Dispatchable Loads are unable to de-rate in real-time. The Exemption resolves this by permitting the EAF DL to offer in at its hourly average consumption. This recognizes that at times the EAF DL will be providing more *operating reserve* and other times less, with its average over the hour being the amount for which it is compensated.
- The original EAF exemptions were granted between 2002 and 2004, and were reconsidered between 2023 and 2024, to align with Market Rule amendments that implemented a settlement amount clawback for inaccessible of Operating Reserve.

Dispatchable Load Exemption Amendment Applications

- These proposed amendments to the reconsidered exemptions include minor changes to the Terms and Conditions of the exemptions, specifically:
 1. Update the specific section references in the Market Rules – The Operating Reserve Inaccessibility Charge was relocated from Ch.9 s. 3.4.2 to Ch.9 s. 3.10.8.
 2. Include the new Real-Time Make Whole Payment Reversal Charge (Ch.9 s. 3.10.17) in the scope of the exemption
 - The Real-Time Make-Whole Payment Reversal Charge reverses payments received for Operating Reserve ("OR") that was determined to be inaccessible.
 - The rationale for the existing exemption applies equally to this new charge;
 - Ensures the Dispatchable Load is compensated for the OR it provides on average over the hour,
 - Ensures the consistent application of both settlement amounts in determining the 'accessibility' of OR; without this amendment, the exemption would appear to create two different standards for determining whether OR was 'accessible'.
 - This amendment is reflected in the addition of the highlighted section of the definition of "Charge" in the exemption, as follows:

Appendix A – Operating Parameters

- 1) For the purposes of this *exemption*, the following terms shall have the following meanings:
 - (a) "Charge" means the collective of both the non-accessibility charge specified in section 7.4.2.1 of Chapter 7 and calculated in accordance with section 3.10.1 of Chapter 9 and the real-time make whole payment reversal charge specified in section 3.10.2 of Chapter 9.

Why adding a new Settlement Amount is Administrative

Equivalent amounts of money in the legacy market and under MRP are changing in terms of the applicable settlement amounts (e.g. Congestion Management Settlement Credits ("CMSC") to Make-Whole Payments ("MWP") and manner of settlement (e.g. manual to automatic).

- In the legacy market, Dispatchable Loads ("DL") could receive CMSC related to inaccessible Operating Reserve ("OR"), subject to clawback through the Market Assessment and Compliance Division processes as per Ch.9 s. 3.8.1
 - Ch.9 s. 3.8.1 applies when a Market Participant ("MP") is compensated for OR "in a way that does not provide the service for which it has been paid", understood as 'be available to comply with an OR dispatch'.
 - Existing exemption exempts the MP from Ch. 7 s.7.4.1 (compliance with OR dispatch) in a manner that recognizes the terms of the exemption. Therefore, the clawback of this CMSC OR revenue in s. 3.8.1 is indirectly addressed by the Exemption and understood in the context of the exemption.
- In renewed market, this aspect of CMSC is replaced by make-whole payments, and recovery of make-whole payments for inaccessible OR through the make-whole payment reversal charge.

Inclusion of the make-whole payment reversal charge therefore ensure that the clawback of all revenue associated with inaccessible OR is understood in the context of the exemption and maintains the same substantive effect as under the legacy rules and existing exemption.

These changes improve efficiency and clarity.

Energy Storage Facility Exemption Background

- NRStor Goderich CAES LP ("NRStor") is an energy storage facility with an exemption that was granted in 2021, which permits it to act as:
 - dispatchable generation for the purposes of injecting energy;
 - a non-dispatchable load for the purposes of withdrawing energy for recharging.
- Specifically, NRStor, a dispatchable electricity storage resource, was exempted from submitting data and bids into the Day-Ahead Commitment Process ("DACP") when recharging its facility, thereby allowing it to act as a non-dispatchable load when withdrawing.
- This flexible arrangement was to encourage and facilitate the development and integration of a new storage resource.

Energy Storage Facility Exemption Amendment Application

- With the renewed market, the Day Ahead Commitment Process ("DACP") has been replaced by the Day-Ahead Market ("DAM"), and an Availability Declaration Envelope ("ADE"), established in the DAM, has been introduced as a requirement to be eligible to participate in the real-time market ("RTM").
- The proposed amendments are minor and simply update the relevant Market Rule section references from the DACP provisions to the equivalent DAM provisions. Specifically,
 - Current references to Ch.7 s. 3.3A.2 and Ch. 7 s. 3.3A.3 need to be updated to the equivalent provisions for the DAM (Ch. 7 s. 3.2.1 and s. 3.1.11-3.1.13)
 - Legacy provisions collectively outline: (1) submission of dispatch data to be eligible for dispatch (Ch.7 s. 3.3A.2); and (2) market participants are ineligible to participate in real-time if they did not submit dispatch data into the DACP (Ch. 7 s. 3.3A.3).
 - The renewed provisions collectively outline: (1) market participants must establish an ADE to participate in the RTM (Ch. 7 s. 3.1.12); (2) market participants must submit bid/offer in the DAM to establish an ADE; (Ch. 7 s. 3.1.11); (3) market participants shall not participate in the RTM if they did not establish an ADE (Ch. 7 s. 3.1.13); and (4) the requirements for submitting dispatch data into the DAM (Ch. 7 s. 3.2.1).
- As with the existing exemption, the amended exemption would continue to exclusively apply to the storage resource's withdrawals, and not its injections.

IESO Staff Recommendation

- The IESO recommends a streamlined exemption amendment process that does not invite third party comments.
- The IESO recommends that the Exemptions Panel approve the four exemption amendment applications, with the specific amendments proposed in the IESO Staff Recommendations.
- These proposed amendments do not result in changes to how the dispatchable loads or the energy storage facility will operate, nor do they grant any new or expanded rights or privileges – they are administratively necessary to facilitate the transition to the renewed market rules.
- Without the proposed amendments, the exemptions will not be consistent with the renewed market rules, which may cause confusion and lead to concerns regarding their effectiveness and relevance.