



Decision of the Independent Panel – Exemption Reconsideration #1308

Part 1 – Panel Members

Panel Members hearing the exemption reconsideration: Steve Baker, Patricia Koval, Joe Oliver, David Sinclair
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Part 2 – General Information

1. Exemption Application ID: 1308
2. Market Participant Name: ArcelorMittal Dofasco Inc. (“Dofasco”)
3. Location/Site: Hamilton, ON / DOFASCO-LT.T5_LF (“Dofasco’s Dispatchable Load”)
4. Role of Applicant in the market as it pertains to this Exemption: Dispatchable Load
5. Date Exemption Application Heard: March 7, 2023
6. Did the Exemption Holder Review the Terms and Conditions in the IESO Staff Recommendation: Yes
7. Market Rule(s) or Related Market Manual(s) from which the exemption is requested: Section 1.2.1 of Appendix 5.1; Section 1.2.4 of Appendix 5.1; Section 2.1.2 of Chapter 7; Section 3.3.8 of Chapter 7; Section 7.4.1 of Chapter 7; Section 7.4.2 of Chapter 7; Section 7.4.2.1 of Chapter 7; Section 7.5.1 of Chapter 7; Section 7.5.2 of Chapter 7; and Section 3.4.2 of Chapter 9

8. Material Reviewed:
- d) IESO staff recommendation and final terms and conditions
 - b) Dofasco written submissions (June 30, 2022, November 17, 2022)
 - c) Third Party Feedback from the Market Surveillance Panel
 - d) IESO response to Market Surveillance Panel

9. Reason for IESO Staff Request for Exemption Reconsideration: IESO staff requested a reconsideration of this exemption in light of the proposed market rule amendments on improving the accessibility of operating reserve (MR-00467-R00).

Part 3 – Decision

Decision:

The Panel confirms that the exemption reconsideration (#1308) is granted to Dofasco subject to the terms and conditions set forth below. This exemption reconsideration will take effect on the same date as the proposed market rule amendments contained within MR-00467-R00 (Improving Accessibility of Operating Reserve). The Panel has asked IESO staff to communicate this date to Dofasco following IESO Board approval of such market rule amendment.

Part 4 – Reasons

Reasons of the Panel:

Compliance with the market rules for all market participants including dispatchable loads is mandatory. However, it is possible for the IESO to grant an exemption from the market rules on a discretionary and case-by-case basis.

In rendering the decision, the Panel considered the materials submitted by the IESO and Dofasco as well as the applicable market rules requirements. In consideration of the exemption reconsideration, the Panel specifically considered the following points:

- The IESO's ability to direct operations and maintain the reliability of the IESO-controlled grid with the exemption in place
- The ability of the IESO to operate the IESO-administered markets in an efficient, competitive and reliable manner
- Whether the exemption reconsideration would increase costs of market participants
- The capability of Dofasco to operate its dispatchable load consistent with the terms and conditions of the proposed reconsidered exemption
- Whether the exemption that is the subject matter of the exemption application would, if granted, give the exemption applicant an undue preference in the IESO-administered markets

The rationale contained in the IESO staff recommendation satisfied the Panel that granting the exemption will address the change of circumstances that the Panel approved in August 2021, and the Panel adopts such rationale in granting this exemption.

The Panel is satisfied that the terms and conditions provide the appropriate obligations for participation in the energy and operating reserve markets. Furthermore, the Panel considers the conditions for removal or reconsideration of the exemption appropriate, including the use of a typical consumption pattern that, while acknowledging considerable variability in operations, does provide the IESO with recourse to update the terms and conditions where there is a significant alteration of operations from such pattern.

Part 5 – Terms and Conditions

<p>Effective Date of Exemption (or event causing exemption to become effective)</p>	<p>Effective on the same date that the proposed market rule amendments: MR-00467-R00, Improving Accessibility of Operating Reserve, comes into effect.</p>
<p>Date of Expiration of Exemption</p> <ul style="list-style-type: none"> - If greater than 5 years, the Panel must be satisfied that the circumstances justify a later date - Circumstances which will cause the exemption to immediately expire 	<p>Exemption will be effective until:</p> <ul style="list-style-type: none"> - Dofasco’s dispatchable load registration status changes to be non-<i>dispatchable</i> - Dofasco’s dispatchable load ceases utilizing electric arc furnaces in its operations - <i>IESO</i> implements necessary tool and/or <i>market rule</i> changes, as applicable, such that the <i>IESO</i> determines the Exemption is no longer required
<p>Market Rule(s) or related Market Manual(s) from which the Exemption is granted</p>	<ul style="list-style-type: none"> - Section 1.2.1 of Appendix 5.1; - Section 1.2.4 of Appendix 5.1; - Section 2.1.2 of Chapter 7; - Section 3.3.8 of Chapter 7; - Section 7.5.1 of Chapter 7; - Section 7.5.2 of Chapter 7; - Section 7.4.2 of Chapter 7; - Section 7.4.2.1 of Chapter 7; and - Section 3.4.2 of Chapter 9.
<p>Restrictions on the manner of operation and/or additional obligations to be met during the term of the Exemption, if any</p>	<p>See Appendix A in regards to operational parameters for Dofasco’s dispatchable load</p>
<p>Monitoring information required</p>	<p>N/A</p>
<p>Payment of Costs</p> <ul style="list-style-type: none"> - Processing costs (when introduced) - Incremental Exemption costs - Settlement amounts to be withheld or repaid 	<p>N/A</p>
<p>Reconsideration/Removal</p> <ul style="list-style-type: none"> - Date on which the Exemption will be reconsidered (if applicable) - Circumstances under which the Exemption will be reconsidered (if 	<p>The Exemption may be reconsidered, at the sole discretion of the <i>IESO</i>, if:</p> <ul style="list-style-type: none"> - the <i>dispatchable</i> consumption of Dofasco’s dispatchable load deviates significantly from its Typical

Part 5 – Terms and Conditions

<p>applicable) other than unforeseen future change in circumstances</p>	<p>Consumption Pattern, including in the following circumstances:</p> <ul style="list-style-type: none"> ○ the peak <i>dispatchable</i> consumption of Dofasco’s dispatchable load exceeds [REDACTED] in 10% or more of peak <i>dispatch intervals</i> over any consecutive 6 month period, where peak <i>dispatch intervals</i> refers to the <i>dispatch interval</i> within each <i>settlement hour</i> during business hours where Dofasco’s dispatchable load’s consumption is the greatest. ○ On average over any 6-month period, the production cycle of Dofasco’s dispatchable load has 4 or more <i>dispatch intervals</i> of less than 1MW dispatchable consumption than described in its Typical Consumption Pattern, as determined by the <i>IESO</i> <ul style="list-style-type: none"> - the <i>IESO</i> determines that allowing Dofasco to continue to operate as specified in this Exemption would have a detrimental impact on the <i>IESO’s</i> ability to maintain the <i>reliability</i> of the <i>IESO-controlled grid</i> - the <i>IESO</i> implements any market rule amendment which impacts this Exemption
<p>Transferability</p> <ul style="list-style-type: none"> - List the terms and conditions that need to be met to allow for a transfer of this exemption to be approved by IESO staff - Transferability in respect of a corporation, refers to a change of control of the corporation within the meaning of the Business Corporations Act (Ontario) 	<p>None</p>
<p>Other</p>	<p>Exemption only applies to Dofasco’s dispatchable load</p>

Appendix A – Operating Parameters

- 1) For the purposes of this Exemption, the following terms shall have the following meanings:
 - (a) "Charge" means the non-accessibility charge specified in section 7.4.2.1 of Chapter 7 and calculated in accordance with section 3.4.2 of Chapter 9.
 - (b) "Historical Energy Consumption" means the amount determined in accordance with section 11 of this Appendix A.
 - (c) "Maximum OR Offer" means the amount determined in accordance with section 15 of this Appendix A.
 - (d) "Typical Consumption Pattern" means the repeated production cycles at Dofasco's dispatchable load and consists of the following typical *dispatchable* consumption pattern and as further described in the load profile provided by the dispatchable load and determined to be confidential information for public posting:
 - (i) down time of approximately [REDACTED] minutes of *dispatchable* consumption of less than 1MW;
 - (ii) *dispatchable* consumption increase over a period of approximately [REDACTED] minutes to within [REDACTED] of maximum *dispatchable* consumption of [REDACTED];
 - (iii) continuous *dispatchable* consumption within [REDACTED] of maximum *dispatchable* consumption of [REDACTED] for a period of [REDACTED] minutes; and
 - (iv) *dispatchable* consumption decrease over a period of approximately [REDACTED] minutes to *dispatchable* consumption of less than 1MW
- 2) For the purpose of this Exemption and understanding the *market rules* in context of this Exemption, the following references in the *market rules* and/or *market manuals* shall be deemed to be references to the following provisions of this Exemption:
 - (a) Section 1.2.1 of Appendix 5.1 shall be deemed to be a reference to section 3 of this Appendix A;
 - (b) Section 1.2.4 of Appendix 5.1 shall be deemed to be a reference to section 4 of this Appendix A;
 - (c) Section 2.1.2 of Chapter 7 shall be deemed to be a reference to section 5 of this Appendix A;
 - (d) Section 3.3.8 of Chapter 7 shall be deemed to be a reference to section 6 of this Appendix A;
 - (e) Section 7.5.1 of Chapter 7 shall be deemed to be a reference to section 7 of this Appendix A; and
 - (f) Section 7.5.2 of Chapter 7 shall be deemed to be a reference to section 8 of this Appendix A.
- 3) Dofasco offering *ten-minute operating reserve* shall ensure that Dofasco's dispatchable load that is scheduled to provide *ten-minute operating reserve* is available for *dispatch* as scheduled, in accordance with the terms of this Exemption;
- 4) Dofasco offering *thirty-minute operating reserve* shall ensure that Dofasco's dispatchable load that is scheduled to provide *thirty-minute operating reserve* is available for *dispatch* as scheduled, in accordance with the terms of this Exemption;

- 5) Dofasco shall not submit, and the *IESO* shall not accept, any *dispatch data* with respect to Dofasco's dispatchable load unless:
 - (a) Dofasco's dispatchable load is a *registered facility* for the provision of the physical services(s) to which the *dispatch data* relate;
 - (b) Dofasco is the *registered market participant* for Dofasco's dispatchable load and
 - (c) the *dispatch data* are consistent with (i) the registration information defining the capabilities Dofasco's dispatchable load; (ii) Dofasco's reasonable expectations of the current actual capabilities of Dofasco's dispatchable load having regard to this Exemption and responding to *dispatches* in accordance with the Exemption, and (iii) any revision in registration information requested by the *IESO* under section 7.5.6.2 of Chapter 7 or other provisions of the *market rules*.

- 6) Notwithstanding any other provision of section 3.3 of Chapter 7 and with the exception of testing specified in section 6.6. of Chapter 5, Dofasco shall as soon as practicable remove its *offers* and *bids* for Dofasco's dispatchable load if, for any *dispatch hour* in the current *pre-dispatch schedule*:
 - (a) Dofasco does not reasonably expect Dofasco's dispatchable load to be able to go to or remain at or below 1MW of *dispatchable* consumption in accordance with sections 13(a) or (b) or section 17 of this Exemption;
 - (b) Dofasco reasonably expects the time Dofasco's dispatchable load consumes less than 1MW to extend for four or more *dispatch intervals* longer than as set out in its Typical Consumption Pattern. For greater certainty, Dofasco shall not have to withdraw its *operating reserve offers* for the current *dispatch hour* in which it reasonably expects the foregoing to be true; or

Where Dofasco must remove its *offers* or *bids* for Dofasco's dispatchable load within the mandatory window, it must do so in accordance with the requirements specified in the *market rules* and applicable *market manuals*.

- 7) Non-compliance with *dispatch instructions*, other than as specified in this Exemption and for the reasons referred to in section 7.5.3 of Chapter 7, shall be a breach of the *market rules* and may be sanctioned in accordance with section 6.2 of Chapter 3 and Section 7.5 of Chapter 7.

- 8) If Dofasco expects Dofasco's dispatchable load to operate, for any reason, in a manner described in section 6(b), it shall notify the *IESO* as soon as possible by calling the *IESO* control room.

- 9) If the *IESO* notifies Dofasco that Dofasco's dispatchable load is experiencing issues with its telemetry data, Dofasco shall as soon as practicable withdraw any *offers for operating reserve* and cease submitting *offers for operating reserve* until such time as the *IESO* advises that the telemetry data issue is resolved.

Participation in the *energy market*

- 10) Subject to the terms and conditions of this Exemption, Dofasco when participating in the *energy market* shall submit *energy bids* at its Historical Energy Consumption, as

applicable, in respect of every *dispatch hour* during which it intends to consume *energy*;

- 11) Subject to section 12, the Historical Energy Consumption will be determined in accordance with the following:
- (a) it shall be equal to Dofasco's dispatchable load's hourly average *dispatchable* consumption during *dispatch intervals* when *dispatchable* consumption exceeds 1MW during the applicable 6-month period. For greater certainty, Historical Energy Consumption is calculated as follows:

$$TC/TI * 12$$

Where:

- (i) TC = total *dispatchable* consumption, based on AQEW data, in all *dispatch intervals* during which *dispatchable* consumption exceeded 1MW during the applicable 6-month period, except those *dispatch intervals* for which Dofasco reduced its *energy bid* in accordance with section 12.
 - (ii) TI = the total number of *dispatch intervals* during which *dispatchable* consumption exceeded 1MW during the applicable 6-month period, except those *dispatch intervals* for which Dofasco reduced its *energy bid* in accordance with section 12.
- (b) the Historical Energy Consumption shall be calculated every 6 months starting on the effective date of this Exemption.
 - (c) the applicable 6-month period shall be the 6-month period commencing 7 months prior to the date on which the Historical Energy Consumption is calculated and ending 1 month prior to the date on which the Historical Energy Consumption is calculated.
 - (d) Historical Energy Consumption shall be rounded down to one decimal place.
 - (e) If TI is equal to zero for an applicable 6-month period because Dofasco's dispatchable load is offline, is otherwise unavailable for *dispatch* for any reason, has reduced its *energy bid* in accordance with section 12, or any combination thereof, then once Dofasco's dispatchable load's is ready to resume its Typical Consumption Pattern the HEC shall be set to the value of the most recent applicable 6-month period for which TI was not equal to zero.
- 12) If Dofasco reasonably expects the continuous maximum dispatchable consumption at Dofasco's dispatchable load to decrease by more than 10% from the continuous maximum dispatchable consumption value stated in its Typical Consumption Pattern as a result of decreased capacity for consumption, but will continue to consume in accordance with the timelines associated with its Typical Consumption Pattern, for a period of five hours or more, the Historical Energy Consumption value used for its *energy bids* shall decrease by the same percentage until such time as Dofasco's dispatchable load is able to resume the continuous maximum dispatchable value stated in its Typical Consumption Pattern, and Dofasco shall revise its *energy bids* accordingly. The *IESO* may at its sole discretion require Dofasco to calculate a new Historical Energy Consumption for any period if the existing value was calculated using data that is determined by the *IESO* to be invalid for any reason.

- 13) If Dofasco receives an *energy dispatch* it shall respond in the following manner:
- (a) if Dofasco's dispatchable load receives an *energy dispatch* to zero, it shall accept its *energy dispatch instruction* and within 5 minutes reduce, or maintain, its *dispatchable* consumption to be equal to or less than 1MW. It shall maintain its *dispatchable* consumption at equal to or less than 1MW until *dispatched* in a manner described in section 13 (c);
 - (b) if Dofasco's dispatchable load receives an *energy dispatch* to an amount greater than zero but less than 50% of its *energy bid*, it shall reduce, or maintain, its *dispatchable* consumption to be equal to or less than 1MW. It shall accept its *energy dispatch instruction* and maintain its *dispatchable* consumption at equal to or less than 1MW until *dispatched* in a manner described in section 13 (c);
 - (c) if Dofasco's dispatchable load receives an *energy dispatch* to an amount equal to or greater than 50% of its *energy bid*, it shall accept its *energy dispatch instruction* and shall as soon as practicable assume its Typical Consumption Pattern.

Participation in the Operating Reserve markets

- 14) Subject to sections 5, 6, 9, 15 and 16 of this Exemption, Dofasco shall submit *operating reserve offers* up to its Maximum OR Offer in respect of every *dispatch hour* during which it intends to *offer operating reserve*.
- 15) Subject to section 16, the Maximum OR Offer will be determined in accordance with the following:
- (a) it shall be equal to Dofasco's dispatchable load's hourly average *dispatchable* consumption during all *settlement hours* in which Dofasco submitted an *offer* for *operating reserve* during the applicable 6-month period. For greater certainty, Maximum OR Offer is calculated as follows:
 - TC/TI
 - Where:
 - (i) TC = total *dispatchable* consumption, based on AQEW data, in all *settlement hours* in relation to which Dofasco had submitted an *offer* for *operating reserve* during the applicable 6-month period except those *settlement hours* for which Dofasco reduced its *operating reserve offer* in accordance with section 16.
 - (ii) TI = the total number of settlement hours in relation to which Dofasco had submitted an *offer* for *operating reserve* during the applicable 6-month period except those *settlement hours* for which Dofasco reduced its *operating reserve offer* in accordance with section 16.
 - (b) the Maximum OR Offer shall be calculated every 6 months starting on the effective date of this Exemption.
 - (c) the applicable 6-month period shall be the 6-month period commencing 7 months prior to the date on which the Maximum OR Offer is calculated and ending 1 month prior to the date on which the Maximum OR Offer is calculated.

- (d) Maximum OR Offer shall be rounded down to one decimal place.
 - (e) the *IESO* may at its sole discretion require Dofasco to calculate a new Maximum OR Offer for any period if the existing value was calculated using data that is determined by the *IESO* to be invalid for any reason.
 - (f) If TI is equal to zero for an applicable 6-month period because Dofasco's dispatchable load is offline, is otherwise unavailable for *dispatch* for any reason, has reduced its *operating reserve offer* in accordance with section 16, or any combination thereof, then once Dofasco's dispatchable load's is ready to resume its Typical Consumption Pattern the Maximum OR Offer shall be set to the value of the most recent applicable 6-month period for which TI was not equal to zero.
- 16) If Dofasco reasonably expects the continuous maximum dispatchable consumption at Dofasco's dispatchable load to decrease by more than 10% from its continuous maximum dispatchable consumption stated in its Typical Consumption Pattern as a result of decreased capacity for consumption, but will continue to consume in accordance with the timelines associated with its Typical Consumption Pattern, for a period of five hours or more, the Maximum OR Offer used for its *operating reserve offers* shall decrease by the same percentage decrease until such time as Dofasco's dispatchable load is able to resume the continuous maximum dispatchable consumption stated in its Typical Consumption Pattern and Dofasco shall revise its *operating reserve offers* accordingly.
- 17) If Dofasco receives an *operating reserve* activation (ORA) *dispatch instruction*, it shall respond in the following manner:
- (a) if Dofasco's dispatchable load is at or below *dispatchable* consumption of 1MW, it shall accept the ORA *dispatch instruction* and remain at or below *dispatchable* consumption of 1MW regardless of the value of the ORA *dispatch instruction* until *OR* is deactivated and an *energy dispatch* is received; or
 - (b) if Dofasco's dispatchable load is above 1MW *dispatchable* consumption, it shall accept the ORA *dispatch instruction* and go to 1MW *dispatchable* consumption or less regardless of the value of the ORA *dispatch instruction* until *OR* is deactivated and an *energy dispatch* is received.

Application of the Charge

- 18) In regards to the application of the Charge, Dofasco's dispatchable load shall be exempt from the Charge, subject to the following:
- (a) compliance with the terms and conditions of this Exemption. Where, in the *IESO's* sole determination, Dofasco does not comply with the terms and conditions of this Exemption, it shall be subject to the Charge, and any payments for inaccessible *operating reserve* will be recovered by the *IESO* in accordance with the terms of the Charge, for the *dispatch intervals* in which the *IESO* determined Dofasco failed to comply with the terms and conditions of this Exemption. For example, where Dofasco submits an *offer* for *operating reserve* in excess of its Maximum OR Offer for one or more *settlement hours*, it shall be subject to the Charge for all *dispatch intervals* in those *settlement hours*. The application of the Charge is separate and apart from any investigation or enforcement activity by the *IESO* in relation to any non-compliance with the terms and conditions of the Exemption, pursuant to section 6 of Chapter 3 of the market rules;
 - (b) the *IESO* may assess the application of the Charge at its sole discretion and may make the appropriate manual adjustments to a current *billing period* to

- reflect the application of the Charge in respect of the periods in which the *IESO* determined Dofasco failed to comply with the terms and conditions of this Exemption or section 18(c) applies, as the case may be;
- (c) if Dofasco's dispatchable load consumes less than 1MW for 25 or more consecutive *dispatch intervals*, the *IESO* may apply the Charge to all *dispatch intervals* beginning with the 25th *dispatch interval* in which it was consuming less than 1MW and ending with the *dispatch interval* in which it consumes greater than 1MW; and
 - (d) for greater certainty, this Exemption, including the *IESO's* application of the Charge in accordance with the terms and conditions herein, shall not limit any right of the *IESO* under the *market rules*, or otherwise, to take action against Dofasco for failing to comply with the terms and conditions of the Exemption, including initiating a reconsideration of the Exemption. Any failure of the *IESO* to apply the Charge in accordance with this Section 19 shall not be construed as a waiver of the *IESO's* right to seek any remedy, including investigation and enforcement pursuant to section 6 of Chapter 3 in respect of non-compliance, for the failure to comply with the terms and conditions of the Exemption, nor will it be construed as a waiver of Dofasco's obligation to comply with the terms and conditions of this Exemption.