

IESO Response to Feedback

Exemption Reconsideration – ArcelorMittal Dofasco

The IESO thanks you for your comments related to the draft terms and conditions of AMD's exemption reconsideration posted to the IESO website on June 10, 2022. The IESO appreciates the time and effort you took to make this submission, and has responded to each of your comments, below both on AMD's exemption, and exemptions for dispatchable loads generally.

The IESO response to stakeholder feedback below is ordered by your comments on the sections within the terms and conditions. In the new draft terms and conditions, please note that section 17 has been deleted and so the section references in your submission and below may not align with the section references in the updated terms and conditions.

1. Clarifications

AMD's submission includes comments which relate to the practices and interpretation of AMD's current exemption. For instance, AMD states that:

"We recognize the primary purpose of the proposed exemption reconsideration is to formally document the energy bid/Operating Reserve offer practices that have been in place since AMD first started as a dispatchable load with an IESO approved exemption in 2006. As such, the proposed exemption reconsideration supports how IESO, and AMD have partnered and worked together; employing a methodology to calculate a longer-term average resulting in an appropriate hourly bid/offer basis as an EAF cannot bid on a 5-minute interval basis."

The IESO would like to clarify that it has taken no view during this reconsideration process in regards to the scope of AMD's current exemption and practices. The reconsideration process is prospective in its application and the IESO has prepared the proposed terms and conditions of the reconsidered exemption exclusively with this prospective view in mind. Accordingly, the proposed terms and conditions should not be interpreted as supporting any view on the scope of AMD's current exemption or AMD's current or past participation in the energy/operating reserve market.

2. Reconsideration/removal

The IESO has proposed edits to the circumstances related to the timing of production to provide better certainty.

3. Section 1(d)

The IESO appreciates that there are facility-specific considerations which will need to be taken into account in articulating the Typical Consumption Pattern. The intent of section 1d is to create a baseline of how the facility typically operates, understanding that there will be deviations from that baseline. Other sections of the terms and conditions describe the obligations of the market participant when there is an expectation that there will be deviations from that baseline by a certain set amounts (e.g. time or MWs).

The IESO has updated the term 'Normal Consumption Pattern' to 'Typical Consumption Pattern'. This is to better reflect that this term is referring to the typical pattern of consumption and remove any suggestion that deviating from this pattern is not 'normal'.

The June 10, 2022 version of the proposed Exemption had such facility specific information redacted to ensure confidentiality. The IESO will share the proposed definition of Typical Consumption Pattern directly with AMD and seek comments and feedback from AMD prior to it being presented to the IESO Board for approval.

4. Section 3

The IESO would like to clarify that when AMD's dispatchable load receives an operating reserve activation dispatch instruction, it shall respond in the manner described in section 18 of the proposed reconsidered exemption.

5. Section 6

The IESO believes that this section is clear. In those circumstances provided in section 6, AMD should remove its offers and bids. No further notification is required pursuant to this provision.

6. Section 8

The IESO has proposed some edits to provide greater clarity in regards to when AMD is to notify the IESO and the method of such notification.

7. Section 11

In regards to AMD's comment about AQEW, the IESO understands that the AQEW data may include a non-dispatchable portion of consumption. As the proposed exemption is drafted, any non-dispatchable consumption would need to be netted out from the calculations described in section 11. The IESO believes that this approach is appropriate and notes that the language of the exemption requires the calculation to be 'based on' AQEW data, which, depending on whether there is non-dispatchable portion of consumption, may not necessary be the exact total AQEW consumption.

In regards to the suggestion that the IESO should provide the calculations to AMD, it is the IESO's view that this responsibility should be AMD's. While the IESO appreciates that this proposed reconsidered exemption provides for a prescriptive manner of participation, in principle, it should remain the obligation of the market participant to participate in a manner which aligns with the market rules as modified by this exemption. From a more practical perspective, and aligning with AMD's other comment for section 11, AMD is in a better position than IESO to net out its non-dispatchable consumption from its dispatchable consumption.

The above also addresses AMD's similar comments made in the context of section 15.

8. Section 12

The IESO has updated this provision to refer to AMD's continuous maximum dispatchable consumption. Additionally, the IESO updated section 11 to exclude those dispatch intervals in which AMD reduces its energy bids in accordance with this provision.

9. Section 14

First, to clarify, the IESO does not have any expectation of AMD's potential bidding behaviour, such that AMD will offer at the Maximum OR offer. Rather, the provision provides as follows (emphasis added):

- Subject to the terms and conditions of this Exemption, <MP> **may** submit *operating reserve offers up to* its Maximum OR Offer in respect of every *dispatch hour* during which it intends to *offer operating reserve*.

The IESO has proposed edits to specify the specific sections to which this provision is subject. The IESO believe this provides the additional clarity being sought.

10. Section 15

The IESO staff recommendation is that the maximum amount of operating reserve (OR) that may be offered by AMD's dispatchable load will be determined by the hourly average dispatchable consumption during all settlement hours in which AMD submitted an offer for operating reserve during the applicable 6-month period. This is consistent with the sole current market rule [exemption](#) that speaks to how a batch load should offer operating reserve.

The market rules define OR as generation capacity, electricity storage capacity or load reduction capacity which can be called upon on short notice by the IESO to replace scheduled energy supply. A dispatchable load that is not consuming cannot provide the IESO with load reduction capacity.

Recognizing that the typical consumption pattern of batch loads includes a period of near-zero consumption for approximately 15 minutes each hour, it is appropriate that all periods of consumption, including the periods at near-zero consumption, are considered when determining the maximum operating reserve offer from each batch load facility. Such a calculation will result in the batch load receiving compensation from the OR market approximately equal to the amount it would have received if the IESO were able to schedule OR from the batch load equal to its exact load reduction capability available on a 5-minute basis over the course of the relevant settlement hour. At this time, the IESO's scheduling toolset does not provide this functionality, hence the need to define the maximum OR offer quantity in the manner described in the IESO staff recommendation.

Importantly, considering the average consumption inclusive of the near-zero intervals when determining the maximum OR offer will have positive impacts on the IESO's ability to maintain reliable operations of the IESO-controlled grid.

The IESO recognizes that by not re-starting its consumption process following a contingency a batch load can aid system reliability by staying at near-zero consumption at the direction of the IESO. However, the IESO's ability to direct batch loads' operations in such a manner relates to the batch loads' participation as a dispatchable load, not as a provider of operating reserve.

In regards to the comment about avoiding 'compounding OR revenue loss', the IESO has updated section 15 to exclude those settlement hours in which AMD has reduced its operating reserve offer in accordance with section 16.

In regards to the comment relating to the retroactivity of applying the revised calculations, the IESO agrees that this provision would not have a retroactive effect prior to the effective date of the proposed reconsidered exemption. The very first section of the terms and conditions specifies that the proposed effective date is the date on which the Charge comes into effect, which is anticipated to be November 1, 2022 but which is subject to IESO Board approval.

11. Section 16

The IESO has updated this provision to refer to continuous maximum dispatchable consumption rather than typical consumption pattern.

The IESO also updated section 15 to exclude those hours for which AMD decreased its OR offer in accordance with section 16.

12. Section 17

To provide better clarity and address the comments raised by AMD, the IESO has (a) removed this provision; (b) clarified section 6 to provide that the removal of offers shall apply as of the next dispatch hour; and (c) modified section 8 to clarify how AMD should communicate with the IESO in those circumstances.

13. Section 19(c)

This section has now been modified to provide that the settlement charge will apply when AMD is below 1MW consumption for a period of 25 consecutive dispatch intervals. This would provide AMD sufficient time to remove its OR Offers where it has been offline for a significant period of time.

In response to the suggestion that this represents a double-claw back of OR revenue, the IESO emphasizes that the Max OR Offer calculation and section 19(c) serve different purposes. The Max OR Offer calculation is intended to reflect the facility's typical capabilities based on actual consumption over a 6-month period, noting that bid/offer reductions related to decreases in consumption capacity are removed from this calculation. Section 19(c) intends to address reliability concerns by discouraging the scheduling of inaccessible OR when AMD has had sufficient opportunity to identify any issues and remove their OR offers. AMD has characterized this as a penalty; however, the IESO would view it as AMD no longer being exempt from the Charge when for over two hours it is not able to deliver operating reserve it has been paid to provide.

14. Section 19(d)

The Market Assessment and Compliance Division (MACD) is responsible for monitoring the market rules, and by extension, monitoring compliance with terms and conditions of market rules exemptions. The IESO believes that no additional monitoring is required to be included in the terms and conditions of the exemption.

15. Conclusion

The IESO has also provided the final terms and conditions document which will be presented to the Exemption Review Panel on August 23. You may provide comments to the Panel based on the revised terms and conditions. Please provide those comments by August 12, 2022.