



## Market Rule Amendment Proposal

### PART 1 – MARKET RULE INFORMATION

Identification No.:	MR-00389		
Subject:	Ancillary Services		
Title:	Ancillary Services Contract Terms		
Nature of Proposal:	<input type="checkbox"/> Alteration	<input checked="" type="checkbox"/> Deletion	<input type="checkbox"/> Addition
Chapter:	7	Appendix:	4.19
Sections:	Ch 7, section 9.3.1.1, Appendix 4.19, Note		
Sub-sections proposed for amending:			

### PART 2 – PROPOSAL HISTORY

Version	Reason for Issuing	Version Date
1.0	Draft for Technical Panel review	September 11, 2012
2.0	Publish for Stakeholder Review and Comment	September 20, 2012
3.0	Submitted for Technical Panel Vote	October 9, 2012
4.0	Recommended by Technical Panel; Submitted for IESO Board Approval	October 16, 2012
5.0	Approved by IESO Board	November 29, 2012
Approved Amendment Publication Date:		November 29, 2012
Approved Amendment Effective Date:		December 21, 2012

## PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

Provide a brief description of the following:

- The reason for the proposed amendment and the impact on the *IESO-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 *IESO-administered markets*.

### Summary

Asgard Resources/Northern Renewable Energy Initiative is proposing market rule amendments to delete the 36 month maximum allowable term for ancillary service contracts. In addition, it is proposed to delete a note in Appendix 4.19 which disallows intermittent generators from providing regulation or other ancillary services.

### Background

The IESO contracts for three ancillary services to help ensure the reliable operation of the power system:

- Black-start capability;
- Regulation service;
- Reactive support and voltage control service.

Chapter 7, section 9 of the market rules requires the IESO to procure contracted ancillary services with registered market participants who have demonstrated the ability to provide such contracted ancillary services in accordance with the performance standards required in Chapter 5, section 4 of the market rules. The IESO is required to procure such services that are not offered in the real-time markets to maintain reliability using a competitive procurement process wherever practicable, in order to acquire each contracted ancillary service at competitive prices. The current maximum allowable term for ancillary service contracts under the market rules is 36 months, and the costs of ancillary services are recovered from market participants via an uplift charge.

Market participants wishing to become new providers of contracted ancillary services often need to incur significant equipment upgrades, and have indicated that the cost of upgrades must be amortized over the period of the contract, as there is no guarantee of revenue beyond the term of the contract. Amortizing a capital expenditure over a shorter contract timeframe increases the up-front costs to the market, with lower prices not expected until subsequent contracts. As a result, new service providers may be unable to compete with incumbent service providers from a cost standpoint.

### Discussion

The following change is proposed in Chapter 7, section 9.3.1:

- Delete in its entirety section 9.3.1.1 which limits the maximum term of ancillary service contracts to 36 months.

Removing the current 36 month maximum contract term will introduce flexibility and create potential opportunities in the future to procure ancillary services from a larger base of market participants which could include new technologies.

**PART 3 – EXPLANATION FOR PROPOSED AMENDMENT**

As a matter of clean-up, it is also proposed to delete the note in Appendix 4.19 which specifically disallows intermittent generators from providing regulation or other ancillary services. Where intermittent generators can meet the performance standards and other applicable requirements for providing ancillary services as required by the market rules (Chapter 5, section 4 and Chapter 7, section 9), they should be allowed to do so.

**PART 4 – PROPOSED AMENDMENT****Chapter 7****9.3 Contracted Ancillary Service Contracts**

9.3.1 The *IESO* shall enter into *contracted ancillary service* contracts with *ancillary service providers*. Such agreements shall, subject to sections 9.3.4 and 9.3.6:

9.3.1.1 ~~be limited in term to not more than 36 months; and~~ Intentionally left blank – section deleted]

9.3.1.2 compensate any *ancillary service provider* for levels of service above those required to be provided by the *connection* requirements of Chapter 4.

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## **Appendix 4.19 – IESO Monitoring Requirements: Generator Performance Standards**

The following performance standards, as a minimum, shall be achieved on a continual basis by all *generators* referred to in section 7.3.1 of this Chapter when monitored by the *IESO*. Needs of the state estimation process or other reasons may result in additional requirements. The direction of all real and reactive power flows shall be indicated measurements.

FUNCTION	<i>Major generation facility or significant generation facility</i> (High Performance)	<i>Minor generation facility and intermittent generator or transitional scheduling generator</i> designated pursuant to section 7.3.2.3 (Medium Performance)	Small generation facility
Data measurements available at the <i>IESO</i> communications interface	Less than 2 seconds from change in field monitored quantity	1. Less than 10 seconds from change in field monitored quantity or 2. If the <i>minor generation facility</i> is embedded within a <i>distribution system</i> , less than one minute from change in field monitored quantity unless otherwise designated by the <i>IESO</i> to maintain the <i>reliability</i> of the <i>IESO-controlled grid</i> .	Not applicable
Equipment status change available at the <i>IESO</i> communications interface	Less than 2 seconds from field status change	1. Less than 10 seconds from field status change or 2. If the <i>minor generation facility</i> is embedded within a <i>distribution system</i> , less than one minute from change in equipment status unless otherwise designated by the <i>IESO</i> to maintain the <i>reliability</i> of the <i>IESO-controlled grid</i> .	Not applicable
<i>IESO</i> scan period for data measurements	Maximum:* 4 seconds	Minimum:** 4 seconds	Not applicable
<i>IESO</i> scan period for Equipment Status	Maximum:* 4 seconds	Minimum:** 4 seconds	Not applicable
Data Skew	Maximum: 4 seconds	Not applicable	Not applicable
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\* The *IESO* may scan more frequently than the maximum.

\*\* The *IESO* may scan less frequently than the minimum.

~~Note: Intermittent generators cannot provide regulation or other ancillary services.~~

## **PART 5 – IESO BOARD DECISION RATIONALE**

This amendment will introduce flexibility and create potential opportunities in the future to procure ancillary services from a larger base of market participants, which could include new technologies.