



Exemption Application

FOR IMO USE ONLY

Exemption ID #: 1304

Date Received: 03/31/04

Submit this form by e-mail to: exemptions@theimo.com

Subject: *Exemption Application*

All information submitted in this process will be used by the *IMO* solely in support of its obligations under the *Electricity Act, 1998*, the *Ontario Energy Board Act, 1998*, the *market rules* and associated policies, standards and procedures and its licence. All submitted information will be assigned the appropriate confidentiality level upon receipt.

Terms and acronyms used in this Form that are italicized have the meanings ascribed thereto in Chapter 11 of the *market rules*.

PART 1 – EXEMPTION APPLICANT - GENERAL INFORMATION

Organization Name: Gerdau Ameristeel Corporation - Whitby Steel Mill
Market Participant/Metering Service Provider No. (if applicable): _____ IMO Help Centre (IHC) Ticket No. (if applicable): _____
Date: March 29, 2004
Address: 1801 Hopkins Street South
City/Town: Whitby Province/State: ON
Postal/Zip Code: L1N 5T1 Country: Canada
Fax No.: 905-665-3715
Email Address: dmacdonald@gerdauameristeel.com

Main Contact

Name: Darren MacDonald
Telephone No.: 905-665-3730 Fax No.: 905-665-3715
E-mail Address: dmacdonald@gerdauameristeel.com
Web Site (URL): www.gerdauameristeel.com

PART 1 – EXEMPTION APPLICANT - GENERAL INFORMATION

Alternative Contact	
Name: <u>David Burn</u>	
Telephone No.: <u>905-668-8811-2323</u>	Fax No.: <u>(905) 668-5618</u>
E-mail Address: <u>dburn@gerdauameristeel.com</u>	

PART 2 – INFORMATION ABOUT THE EXEMPTION APPLICATION

1. Is this <i>exemption application</i> being submitted for existing <i>facilities</i> or equipment prior to <i>market commencement date</i> pursuant to Section 1.5.1 of the <i>Exemption Application</i> and Assessment Procedure?	
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
2. Please specify the duration for which you would like the <i>exemption</i> granted in days, months or years:	
<u>Until IMO systems better integrate dispatchable loads</u>	
Please cite the <i>Market Rules</i> section number(s) to which this <i>Exemption Application</i> relates:	Please cite policy, standard or procedure to which this <i>Exemption Application</i> relates (including section number(s)):
<u>Chapter 7. Sections 7.5.1 and 7.5.2</u>	
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PART 3 – REQUEST FOR AN INTERLOCUTORY INTERIM EXEMPTION

<input checked="" type="checkbox"/>	The <i>exemption applicant</i> does <u>not</u> request an interim <i>exemption</i> pursuant to Section 1.6.2 of the <i>Exemption Application</i> and Assessment Procedure.
<i>OR</i>	
<input type="checkbox"/>	The <i>exemption applicant</i> requests an interim <i>exemption</i> pursuant to Section 1.6.2 of the <i>Exemption Application</i> and Assessment Procedure staying the <i>exemption applicant's</i> obligation to comply with the following <i>Market Rules</i> Section Number(s) pending the Panel's final decision.
_____	_____
_____	_____
_____	_____
_____	_____

The *IMO* recommends that the exemption applicant contact the *IMO's* Market Assessment and Compliance Division regarding the compliance and enforcement measures the *IMO* intends to take pending the hearing of the *exemption* as in some cases it may not be necessary for the *exemption applicant* to seek an interim *exemption*.

PART 4 – SUBMISSIONS IN SUPPORT OF EXEMPTION APPLICATION

<p>Attach an <i>exemption applicant's</i> plan detailing:</p> <ul style="list-style-type: none">• The manner and time within which the <i>exemption applicant</i> will become compliant;• The manner in which the <i>exemption applicant</i> proposes to modify its equipment or <i>facilities</i> or otherwise conduct its operations during the period of time for which the <i>exemption</i> would be in effect; and• The <i>exemption applicant's</i> estimate of any costs that may be imposed on the <i>IMO</i> or on other <i>Market Participants</i>, if the <i>exemption</i> were granted.
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PART 4 – SUBMISSIONS IN SUPPORT OF EXEMPTION APPLICATION

The following submissions must be included, either below or as attachments:

- a) For *exemption applications* submitted prior to market opening for *facilities/equipment* in operation before or on April 17, 2000 and relating to the technical requirements of *Market Rules* contained in Appendix 2.2 (other than those for participant workstations or *dispatch workstations*), Chapter 4 (other than Sections 6.1.5 to 6.1.21), or the technical requirements set forth in Section 12 of Chapter 5:
- The *exemption applicant's* assessment as to whether or not the *exemption*, if granted would materially:
 - Impact the ability of the *IMO* to direct the operations and maintain the *reliability* of the *IMO-controlled grid*;
 - Affect the ability of the *IMO* to operate the *IMO-administered markets* in an efficient, competitive and reliable manner.
 - The *exemption applicant's* assessment of whether the cost or delay to the *exemption applicant* of complying with the obligation or standard to which the *exemption application* relates is reasonable, having regard to the nature of the obligation or standard, the nature of the *exemption application* and the anticipated impact of non-compliance by the *exemption applicant* in terms of the elements referred to above.
- b) Additionally, for all other *exemption applications*:
- The *exemption applicant's* assessment as to whether or not the *exemption*, if granted would materially:
 - Impact the ability of the *IMO* to ensure non-discriminatory access to the *IMO-controlled grid*;
 - Increase costs of *market participants*; or
 - Increase costs of the *IMO*;
 - An assessment of whether the *exemption* would, if granted, give the *exemption applicant* an undue preference in the *IMO-administered markets*;
 - Where the *exemption applicant* is the *IMO*, identification of the benefit to *Market Participants* of compliance with the obligation or standard to which the *exemption application* relates relative to the financial and other resources required to achieve compliance within such deadlines as may be applicable;
 - Where the *exemption applicant* is the *IMO*, the manner in which it proposes to operate the *IMO-administered markets* or direct the operations and maintain the *reliability* of the *IMO-controlled grid* during the period in which the *exemption* would be in effect;
 - Identification as to whether the *facility* or equipment that is the subject-matter of the *exemption application*:
 - Was in service or was returned to service on the date on which the obligation or standard to which the *exemption application* relates came into force;
 - Was ordered by the *exemption applicant* on or prior to the date on which the obligation or standard to which the *exemption application* relates came into force; or
 - Was in the process of construction on or prior to the date on which the obligation or standard to which the *exemption application* relates came into force, and;

PART 4 – SUBMISSIONS IN SUPPORT OF EXEMPTION APPLICATION

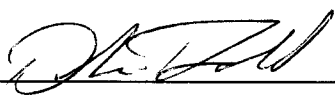
- An assessment of the capability of the owner of the *facility* to operate the *facility* consistent with the terms of the proposed *exemption*.
- c) Additionally, for *exemption applications* requesting an interlocutory *interim exemption* pursuant to Section 1.6.2 of the *Exemption Application* and Assessment Procedure:
- The *exemption applicant's* reasons for requesting an *interim exemption*, including the *exemption applicant's* assessment regarding:
 - The type and degree of harm the *exemption applicant* will suffer if the *interim exemption* is not granted; and
 - how the *interim exemption* would impact the public interest.
- See attached submission in support of Exemption Application

PART 5 – SUPPORTING DOCUMENTATION TO BE ATTACHED BY EXEMPTION APPLICANT

- Please list below all supporting documents attached to this *exemption application*.
1. *Exemption Applicant's Plan* (must be attached)
 - 2.
 - 3.
 - 4.
 - 5.

PART 6 – CERTIFICATION

The *exemption applicant* hereby declares that the information contained in and submitted in support of this document is, to the best of the *exemption applicant's* knowledge, complete and accurate.



Name

Manager Energy, Canadian Operations

Title

PART 7 – CONFIDENTIALITY

The *exemption applicant* agrees that information on this application may be posted in its entirety on the IMO Web site in accordance with the provisions of the *Exemption Application* and Assessment Procedure

OR

The *exemption applicant* claims confidentiality over parts of the *Exemption Application* in accordance with Section 1.6.4 of the *Exemption Application* and Assessment Procedure. Parts of this *Exemption Application* over which confidentiality is claimed are highlighted. The balance of the information on this *exemption application* may be posted on the IMO Web site.



Name

Manager Energy, Canadian Operations

Title

Part 4 – Submissions in Support of Exemption Application

Company Description

Gerdau Ameristeel Corporation – Whitby Steel Mill (GACWSM) is an electric furnace steelmaker located in Whitby, Ontario, just east of Toronto. The facilities were established in 1964 and were originally known as the Lake Ontario Steel Company.

System Benefits

The reliability and efficiency of the Ontario electric power system is enhanced by encouraging demand side bidding and dispatchability. Reliability is enhanced by giving the system operators additional tools (loads) to maintain system balance. Efficiency is enhanced by adding new competitors to the system, as well as allowing lower cost dispatch solutions.

Under the current market rules, the load characteristics described above would not qualify as dispatchable loads. The proposed waiver will accomplish the following:

1. Enhance system reliability
2. Enhance system efficiency and lower costs for all
3. Allow variable loads to participate as dispatchable loads without creating an unreasonable burden on the IMO control room personnel

Qualification for Exemption

In order to accomplish the above, certain criteria need to be met by loads wishing to receive the exemption. The GACWSM load profile is typically available for 75% of a dispatch hour, and no one zero MW cycle typically lasts longer than 4 dispatch intervals.

Bidding Strategy

GACWSM will make its energy bids based on the average consumption of the process while running (average of the non-zero time periods).

GACWSM will make its offers for Operating Reserve (OR) based on the average consumption of the process (average of the non-zero periods).

Operating Strategy

The following comments apply only to periods when GACWSM has submitted bids for the OR market:

1. If GACWSM is at zero when dispatched to zero, it will remain at zero until dispatched on.
2. If GACWSM is dispatched to a level other than “on” or “off” then :
 - a. If the dispatch instruction is to 50% of its bid or more, GACWSM will dispatch “on”.
 - b. If less than 50% of its bid, GACWSM will dispatch “off”.
3. If GACWSM is dispatched “on” and cannot comply within the five minute interval, it will respond that it cannot comply.

Outages

Normal operations lead to occasional equipment outages of up to four dispatch intervals. These will not be reported. Longer outages will be reported by phone.

Compliance

Provided that GACWSM complies with the above conditions, it will not be subject to action for non-compliance.

Waiver

GACWSM will qualify for the 10 minute operating reserve market.

Other Issues

Costs

GACWSM believes that the granting of this waiver will impose no costs on the IMO or other Market Participants. To the contrary, GACWSM believes that costs will go down for other Market Participants as more efficient dispatch solutions are enabled.

Impact on IMO-Controlled Grid and IMO-Administered Markets

1. The granting of this waiver would enhance the ability of the IMO to maintain the reliability of the IMO-controlled grid.
2. This waiver will have no impact on grid access.
3. This waiver will enhance the ability of the IMO to operate the IMO-administered markets in an efficient, competitive, and reliable manner.
4. This waiver will not create undue preference to any Market Participant.

5. If this waiver is refused, it will deprive the IMO of legitimate tools to maintain system reliability and efficiency.

Impact on GACWSM

If this waiver is denied, it will deprive GACWSM of OR income. It will, therefore, deprive GACWSM of any incentive to control its load in a manner such as to support the system.

Facilities

As indicated above, the facilities covered by this application were put into service in the 1960's. At that time, the controllable portion of the load was contracted as Interruptible (later DDS and Surplus) with Ontario Hydro. This gave the Ontario Hydro system operators the flexibility to dispatch this load to zero when required to maintain system reliability. More recently, the dispatch criteria were modified to allow dispatch based on economic needs as well as reliability. The waiver application, including the requirement to dispatch only "on" or "off", merely tries to replicate the earlier regime in the new market.