

DECISION OF THE INDEPENDENT PANEL - Application No. 01-1164

Exemption Application: Application No. 01-1164 made by Ivaco Rolling Mills Limited Partnership (“IRMLP”).

Panel Hearing the Application: James Baillie and John Grant

Date Application Heard: April 25, 2002

Market Rules from which Exemption is Requested: Baseline 6.5, Market Rules Chapter 7, sections 7.5.1 and 7.5.2. [The exemption was considered at the time when Baseline 7.0 was in effect. Therefore the exemption is granted from the above-stated sections of Baseline 7.0.]

Decision: The exemption is granted with conditions.

Effective Date of the Exemption: Date of Panel approval.

Conditions of the Exemption: The exemption is granted with the following conditions;

1. IRMLP will make its energy bids based on the average consumption of the process while running (average of the non-zero time periods).
2. IRMLP will make its offers for Operating Reserve based on average consumption per dispatch hour (including the entire hour whether running or not).
3. If IRMLP is at zero load when dispatched to zero, in the energy market, it will reject the dispatch instruction and will remain at zero until dispatched above zero.
4. If IRMLP is either at full or zero consumption and is dispatched to a level other than full or zero consumption, in the energy market there are two possibilities:
 - a. If the dispatch instruction is to 50% of its bid or more, IRMLP will reject the dispatch instructions and will dispatch to full consumption.
 - b. If the dispatch instruction is to less than 50% of its bid, IRMLP will accept the dispatch instructions and will dispatch to zero consumption.
5. If IRMLP is at zero load and is dispatched to full consumption in the energy market and cannot comply within the five-minute interval because of operating characteristics, it will respond that it cannot comply. The facility will remain at zero consumption until the next dispatch interval and then the next dispatch instruction can be considered.
6. Factors contributing to this batch type load facility’s qualifications as a dispatchable load will be reviewed semi-annually. These factors will include:

- Typical load factor
- Frequency and necessity of Control Room notifications required

Term of the Exemption: This exemption will be effective so long as IRMLP seeks to be dispatchable, or until the Market Rules change to accommodate the characteristics of batch load operation.

Reconsideration of the Exemption:

The exemption will be reconsidered if (a) monitoring indicates that the load is ‘on’ for less than 75% of a typical dispatch hour, or (b) either IMO staff or IRMLP determine that the conditions of the exemption as set out are no longer feasible or IMO staff determines that the monitoring requirements on the IMO are too onerous.

Reasons

IRMLP is an electric steelmaker and steel wire rod rolling mill. IRMLP seeks an exemption from sections 7.5.1 and 7.5.2 of Chapter 7. These sections deal with compliance with dispatch instructions. Section 7.5.1 of Chapter 7 requires that a registered facility comply with dispatch instructions subject to notification, pricing and penalty provisions of the Market Rules. Section 7.5.2 of Chapter 7 requires that a registered market participant notify the IMO if there is an expected material difference in operations from the IMO’s dispatch instructions. IRMLP is seeking an exemption allowing its batch type furnace load to be bid into the operating reserve market until such time as the IMO tools are modified to recognize the specific characteristics of batch type loads. Specifically IRMLP seeks an exemption from the requirement to be compliant with dispatch instructions for up to three intervals in a dispatch hour for the real-time energy market. IRMLP also seeks to be exempted from the requirement to notify the IMO of non-compliance with dispatch instructions for the real-time energy market.

IMO staff recognizes in their IMO Staff Recommendation that the rules surrounding compliance with dispatch instructions were designed with generation facilities in mind. IMO staff has begun to consider how to incorporate the participation of dispatchable loads into the IMO-administered markets. IMO staff has determined that due to the unique characteristics of each dispatchable load, rule amendments are not the avenue by which to make any necessary changes needed for participation, but rather the appropriate venue is through facility specific exemptions.

We considered this exemption application under section 1.4.1 of the “Exemption Assessment and Application Procedure” and focused our attention on the following criteria. We looked at whether granting the exemption would affect the ability of the IMO to direct operations and maintain reliability and also whether it would affect the IMO’s ability to operate the market in an efficient and competitive manner. Granting the exemption will indeed require IMO Control Room staff to establish certain procedures that would not otherwise be necessary.

However we have been satisfied by IMO staff that the conditions agreed to by IRMLP with respect to their bidding strategy will minimize such an impact to a level that is acceptable.

1. This facility typically has periods of both low and high consumption in each hour. IRMLP's hourly bids for the energy that it will consume will reflect its average consumption when running. Periods of zero consumption will be ignored. Bidding in this way will reduce the amount of non-compliance alarms from the tools for energy dispatch, and will reduce the number of dispatch instructions.

2. IRMLP's offers for Operating Reserve will be based on its average consumption per dispatch hour (including the entire hour whether running or not). Although its consumption will, from time to time, already be zero when it is called to provide Operating Reserve, its average availability over time should correctly be reflected in its payments. We have been advised that this strategy ensures fairness of treatment relative to other offerors in the Operating Reserve market.

3. The remainder of the conditions constitute a "communication plan" between IRMLP and the IMO designed to minimize IMO Control Room staff burden, given that IRMLP cannot in fact vary its consumption over the range from "full on" to zero but must operate at either one or the other end of the spectrum. When given a certain direction, IRMLP's response will indicate its status so that Control Room staff can respond accordingly without further communication.

We considered whether granting this exemption would give IRMLP an undue preference. Although, as noted above, Control Room staff will require special training to interpret IRMLP's responses to dispatch instructions, it is the IMO's intention to use the exemption process as a means of encouraging and enabling a wide variety of market participants to make their loads dispatchable. Any facility applying for a similar exemption would be evaluated on a case by case basis and therefore we consider that no undue preference has been afforded to IRMLP.


It appears to us that, on the basis of discussions between IMO staff and IRMLP, the proposed exemptions provide a least-cost means of allowing IRMLP to become dispatchable and to participate in the market for Operating Reserve. Both sides will however require special training and it may be that, over time, the costs of operating under the exemption will become excessively onerous to one or both of the parties. We therefore recommend that the exemption should be reconsidered whenever IRMLP or IMO staff determine that the conditions of the exemption are no longer feasible or IMO staff determines that the monitoring requirements on the IMO are too onerous.

We have not felt it appropriate to place a time-limit on this exemption. While the Market Rules may evolve over time to make such exemptions unnecessary, this will depend on experience.

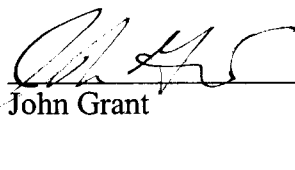
We are therefore prepared to grant the exemption subject to the term and conditions as outlined.

Transfer: Approval to transfer the exemption may occur once the following criteria have been met;

1. The transfer meets the applicable terms and conditions set forth in this exemption;
2. The transfer does not affect the ability of the proposed transferee to comply with all the terms and conditions of the exemption; and
3. The proposed transferee is a market participant or undertakes in writing to the IMO to apply for authorization as a market participant.



James Baillie Date

 June 6, 2002

John Grant Date