

DECISION OF THE INDEPENDENT PANEL - Exemption Application #1332

Exemption Application: Application # 1332 made by Fort Chicago District energy Ltd. (the "Applicant")

Panel Hearing the Application: Bill Museler and Rudy Riedl

Date Application Heard: July 30, 2008

Market Rules from which Exemption is Requested: Market Rules, Chapter 4, Section 3.1.3 and Appendix 4.2, Reference 1, Requirement 1

Decision: The Applicant is granted an exemption on the terms and conditions specified herein.

Effective Date of the Exemption: May 5, 2008

Conditions of the Exemption: Restrictions in active power output may be required if the facility does not have the capability to reduce reactive power flow at its connection point to zero. IESO Staff are of the opinion that the facility will have such capability.

Expiry of the Exemption: The Panel is satisfied that under the circumstances the exemption should be for the lifetime of the facility subject only to the provisions of the Reconsideration below.

Reconsideration of the Exemption: The exemption will be reconsidered if the facility either increases its maximum active power injection capability or changes its connection point.

Reasons of the Panel: In rendering our decision, we have considered the Applicant's Exemption Application, the IESO Staff Recommendation, the applicable sections of the Market Rules, the Exemption Application and Assessment procedure and the responses by IESO staff to questions we posed during the hearing of the Application.

The Applicant seeks an exemption from Chapter 4, Section 3.1.3 and Appendix 4.2, Reference 1, Requirement 1 of the Market Rules, which requires that an embedded generation facility such as this one have certain reactive power capabilities specified therein. The Applicant is seeking an exemption from the requirement to meet the 95% leading reactive power requirement for the lifetime of the facility.

Applicant's Position

The Applicant submits that the generation facility will be embedded within the London Hydro distribution system and the Applicant does not intend to become a market participant. The exemption is necessary, however, because the power purchase contract the Applicant has with the Ontario Power Authority requires the Applicant to comply with all applicable market rules. With the small amount of energy that will be injected into the IESO-controlled grid from this facility, the modifications to the generation equipment required to meet the prescribed reactive power capabilities are excessive given the limited benefit to the IESO-controlled grid in doing so.

IESO Staff Recommendation

IESO Staff recommends granting this exemption. In reaching this conclusion, IESO Staff state that the ability of the IESO to direct the operations and maintain the reliability of the IESO-controlled grid would not be impacted because of the capability of this generation facility to absorb megavars. Furthermore, no undue preference will be given to the Applicant in the IESO-administered markets because it does not intend to become a market participant and there will be no increased costs to the IESO or market participants if the exemption is granted.

Conclusion


We agree with the IESO Staff Recommendation and have decided to grant the exemption requested by the Applicant and are satisfied that under the circumstances the exemption should be for the lifetime of the generation facility subject to reconsideration of the exemption as set out in the IESO Staff Recommendation. Our decision to grant this exemption is based on the following factors:

- (a) The subject generation facility will be connected to London Hydro's distribution system and London Hydro has the ability to manage the issue through its connection agreement with the Applicant;
- (b) We are advised that these specific requirements of the market rules are under reconsideration by the IESO with the possibility that the rules will be amended to delete this obligation and others for embedded generation facilities that could unnecessarily interfere with the ability of local distribution companies to manage their own requirements; and

- (c) The Applicant asserts that the costs of modifying the facility to meet the reactive power requirement are excessive in comparison to the limited benefit to be obtained in the reliability of the IESO-controlled grid by doing so.



William Museler August 20, 2008
Date



Rudy Riedl August 20, 2008
Date