

Impacts of EDAC on the Settlement of Administrative Pricing Events



- Current Process
- EDAC Impact
- Changes to methodology
- Compliance with Dispatch
- Revised Additional Compensation
- Unchanged methodology
- Questions

- Market participant files a NOD because they were inappropriately charged CMSC or not adequately compensated during an administrative pricing event
- IESO validates the NOD based on the following criteria:
 - Administrative Pricing Event must have intervals which were copied from one hour to another
 - MP must have submitted different offers/bids for the source and administered hours
 - MP was compliant with dispatch instructions during the administered intervals

- For Negative CMSC claims:
 - MP did not receive an IOG payment for the administered intervals that offsets the negative CMSC
 - Negative CMSC for both energy and operating reserve will be fully reversed if the administered dispatch interval meets all of the criteria
- For Additional Compensation claims:
 - MP did not receive a CMSC payment nor an IOG payment for the administered intervals that offsets the underpayment/overcharge
 - Additional Compensation will be provided to cover the remaining underpayment/overcharge if the administered dispatch interval meets all of the criteria

- Impact: New Settlement programs being introduced with EDAC, such as the PCG and changes to IOG, incorporate revenue and CMSC into the guarantees which adds complication to the settlement of NODs for administrative pricing events
- Resolution: Evaluate settlement adjustments for administrative pricing events in the automatic settlement calculation

- The following will change under the new methodology:
 - CMSC adjustments and additional compensation will be automatically calculated for all market participants
 - No longer required to submit a NOD
 - Removal of materiality limits
 - All required settlement adjustments will be made regardless of amount
 - Removal of test for offsetting IOG payments
 - Analysis is now prior to IOG calculation
 - Removal of test for compliance with dispatch
 - Any issues with a MP not complying with dispatch instructions will be dealt with by the compliance department
 - Revised equations for calculating additional compensation

- The IESO feels the test for compliance with dispatch for administrative pricing event settlement adjustments is no longer required in the new methodology because:
 - The current market structure incents participants to follow their dispatch instruction
 - The formulation of CMSC and the new formulation of Additional Compensation (*to follow*) will limit any financial gain due to non-compliance with dispatch instructions
 - Removal of this test greatly simplifies the implementation of settlement for administrative pricing events

Revised Additional Compensation

Current Additional Compensation calculation (for Gen):

$$\text{Additional Compensation} = (-1) * \text{OP}(\text{EMP}_h^{m,t*}, \text{AQEI}_{k,h}^{m,t*}, \text{BE}) - \sum_c \text{TD}_{k,h,c}^{m,t*}$$

Revised Additional Compensation Calculation (for Gen):

- Each delivery point will be assessed for a underpayment/overcharge equal to the operating profit up to the minimum of the constrained schedule and energy injected/withdrawn
- Any positive CMSC collected (both energy and operating reserve) for the administered interval will be used to offset the underpayment/overcharge

$$\text{Additional Compensation} = (-1) * \text{OP}(\text{EMP}_h^{m,t*}, \min(\text{AQEI}_{k,h}^{m,t*}, \text{DQSI}_{k,h}^{m,t*}), \text{BE}) - \sum_c \text{TD}_{k,h,c}^{m,t*}$$

- Where 'c' is the set of CMSC charge types {105,106,107,108,1050}
- AQEI, DQSI and BE will be replaced with AQEW, DQSW and BL, and operating profit is not multiplied by -1 for Loads

- The following original criteria will remain under the new methodology:
 - Administrative Pricing Event must have intervals which were copied from one hour to another
 - MP must have submitted different offers/bids for the source and administered hours
 - Negative CMSC for both energy and operating reserve will be fully reversed if the administered dispatch interval meets the above criteria

Questions?