

# Stakeholder Engagement Plan SE-89

## Constrained Off Congestion Management Settlement Credit for Dispatchable Loads



**September 21, 2010 – Section VI date updated.**

### **Summary**

On August 27, 2010, the IESO Board of Directors approved an urgent market rule amendment to suspend Congestion Management Settlement Credit (CMSC) for constrained off dispatchable loads.

This amendment came into effect on August 28, 2010. This temporary suspension will remain in effect until the IESO and stakeholders can consider alternative solutions which is the purpose of the stakeholder engagement plan.

This amendment suspends constrained off CMSC payments to dispatchable load facilities and is required to eliminate CMSC payments that are not consistent with the intent under the market rules. This issue is further addressed in the recent Market Surveillance Panel (MSP) report published on August 30, 2010 (which can be found at:

[http://www.oeb.gov.on.ca/OEB/Documents/MSP/MSP\\_Report\\_20100830.pdf](http://www.oeb.gov.on.ca/OEB/Documents/MSP/MSP_Report_20100830.pdf)). The outcome of this stakeholder engagement will serve to meet recommendations of the MSP.

The objective of this plan is to provide dispatchable loads with the opportunity to provide input on alternatives to the current suspension of all constrained off CMSC to payments to dispatchable loads. All proposed changes to the market rules will be consulted with the Technical Panel and require IESO Board approval.

The amendment is posted at: [http://www.ieso.ca/imoweb/pubs/mr2010/MR\\_00373-R00.pdf](http://www.ieso.ca/imoweb/pubs/mr2010/MR_00373-R00.pdf).

### **I. Introduction**

An urgent market rule amendment (MR-00373-R00) has temporarily suspended CMSC payments for constrained off dispatchable load facilities. The temporary suspension is in effect until March 31, 2011 or an alternate date determined by the IESO Board.

This immediate but temporary suspension was the most expedient solution available to eliminate significant, inappropriate CMSC payments until the IESO can consider alternative solutions. Consideration of alternative solutions requires stakeholder consultation through this plan and the general rule amendment process which concludes in IESO Board approval of the proposed amendment.

### **Background**

For the period February 1 to July 31 2010, two market participants received approximately \$22 million in CMSC payments associated with two dispatchable load facilities. Constrained off payments account for approximately 85% of those payments (or \$18.7 million) with the remaining associated with constrained on CMSC payments. Constrained on payments are being addressed under market rule amendment MR-00370 ([http://www.ieso.ca/imoweb/amendments/mr\\_Amendments.asp](http://www.ieso.ca/imoweb/amendments/mr_Amendments.asp).)

These two dispatchable load facilities represent 22% of Ontario's dispatchable load capability yet have received over 95% of the total constrained off CMSC paid to all dispatchable loads in Ontario. The constrained off CMSC payments associated with these two facilities (totaling 190 MW) are also equivalent to approximately 75% of total constrained off CMSC payments made to all dispatchable generators in Ontario during the same period (approximately 35,000 MW).

The main factor contributing to the recent increase in constrained off CMSC payments is frequent ramping up/down with a slow ramp rate and high bid price. A dispatchable facility's ramping limitations can lead to a discrepancy between the market schedule and the dispatch schedule, resulting in CMSC payments. The magnitude of those payments is a function of the speed at which the facility ramps and the facility's offer or bid.

Constrained off CMSC payments may also result from a dispatchable load facility deviating from its dispatch instructions. The market rules provide that a constrained off dispatchable load facility is not entitled to CMSC if it deviates from dispatch. However, existing processes and procedures do not facilitate complete recovery of this CMSC. In particular, they do not address the outcomes of the market participants' recent operating strategies.

These CMSC payments are simply a wealth transfer from one group of consumers to two market participants while not contributing to either market efficiency or system reliability.

## **II. Stakeholders**

All consumers are impacted by the additional uplifts resulting from CMSC being paid out to market participants. The primary group of stakeholders most impacted by the urgent rule amendment are dispatchable loads, and therefore, the IESO is requesting proposed alternatives in arriving at a longer term solution directly from this group of stakeholders.

## **III. Stakeholder Engagement Goals and Objectives**

### Goal

The goal of this plan is to provide dispatchable loads with the opportunity to provide input on alternatives to the current suspension of all constrained off CMSC to payments to dispatchable loads.

### Objectives

1. To provide affected stakeholders with the opportunity to identify a more appropriate, longer term solution, address the concerns of the MSP, and reduce or minimize potential adverse impacts of proposed market rule changes;
2. To implement the proposed solution(s) as soon as possible with minimal tool changes; and
3. To minimize adverse effects on stakeholder operations and processes to the maximum extent possible.

#### IV. Stakeholder Engagement Approach and Methods

The implementation of this stakeholder engagement plan will be in accordance with the IESO's approved [stakeholder engagement principles](#). The plan will be subject to review and updated as the stakeholder consultation process evolves.

The stakeholder engagement approach will involve written submissions by stakeholders, face-to-face dialogue, conference calls, webcasts, as well as public postings of information and proposals. Meetings will be held to engage the Dispatchable Load Working Group to review the issue and explore possible solutions.

All material including notes from meetings will be posted on the public web. Web-based postings provide all interested stakeholders with an efficient, low-cost method to stay informed with the opportunity to communicate their views via e-mail to [stakeholder.engagement@ieso.ca](mailto:stakeholder.engagement@ieso.ca). All stakeholder input will be posted on the IESO website, unless otherwise specified.

All stakeholder views will be provided to IESO management. The decisions, along with rationale, will be communicated to stakeholders, along with an explanation of how their input was taken into account.

The IESO will consider all input in this decision and will develop options that attempt to address differing points of view.

#### Representative Stakeholder Working Group

A representative stakeholder working group will be used to provide the opportunity for directly affected stakeholders to offer more detailed input so that the objectives of this stakeholder engagement can be met in a timely manner. The working group will allow stakeholders to work closely with the IESO on the details of the proposal. This group will consist of members from the Dispatchable Load Working Group which consist of representatives from all the active dispatchable loads in the province. Details on this group can be found at: [http://www.ieso.ca/imoweb/consult/consult\\_dlwg.asp](http://www.ieso.ca/imoweb/consult/consult_dlwg.asp).

#### V. IESO Sponsor

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<b>VI. Stakeholder Engagement Schedule Stakeholder Engagement Schedule</b>		
<b>Activity</b>	<b>Expected Actions</b>	<b>Target Date for completion</b>
1. Post and communicate stakeholder engagement plan for comments - Solicit comments from the working group.	Stakeholders to provide written feedback by September 9, 2010.	September 3, 2010
2. Post final plan.	Stakeholders to provide any additional written feedback.	September 10, 2009
3. First Working Group meeting (with focus on a review of the problem and possible solutions).	Dialogue – stakeholder input on potential solutions.	September 16 2010
4. Second Working Group meeting.	Dialogue – IESO assessment of proposed solutions, discussion.	September 29, 2010
5. Technical Panel meeting - review of proposed market rule amendments.	Technical Panel review and feedback on proposed market rule amendments.	October 19, 2010
6. Subsequent Technical Panel and Working Group meetings as required.	Additional consultation as required, pending outcome of above activities.	TBD
7. IESO Board meeting.	IESO Board approval of the proposed market rule amendments.	TBD