

April 14, 2004

## Proposed Correction to CMSC Payments for Negative Offer Prices

### Overview

This publication refers to IMO *Market Rule* provisions regarding CMSC payments associated with negative *Offer Prices* submitted by market participants with generation facilities within Ontario and those conducting import transactions. (Market Rules, Chapter 9, sections 3.5.6 and 3.5.7). Particularly, this publication relates to the IMO's intention to exercise the provisions of Chapter 9, section 3.5.7 to automate the negative *Offer Price* provisions of section 3.5.6, commencing on the September 1, 2004 trading day.

### Changes to CMSC Payment Calculation

1. Limit CMSC *settlement amounts* for Ontario generators and imports that have submitted **negative priced offers** such that the CMSC *settlement amounts* are determined on the basis of an offer price that is the lesser of 0.00 \$/MWh and the 5 minute *energy market price*.
2. Based on the provisions of Chapter 9, sections 3.5.6 and 3.5.7, the *offer* matrix 'BE' input into the CMSC equations expressed in Chapter 9, section 3.5.2 is modified as follows:

#### **For Generators within Ontario and for Imports:**

The matrix 'BE' of price-quantities pairs will be modified to matrix 'BE\*', such that **modified offer prices** ( $P_i^*$ ) are used in a manner consistent with the provisions of Chapter 9, section 3.5.6 as follows:

$$P_i^* = \max (P_i, \text{Lower Limit})$$

where:

- $P_i$  are original prices from the price-quantities pairs (price curve) and
- **Lower Limit** for *metering interval t* is:  
**Lower Limit**<sup>t</sup> = min (\$0.00, Energy Market Price<sup>t</sup>)

All other aspects of the calculation of CMSC for generators within Ontario and Imports remain as specified in Chapter 9, section 3.5.2 of the *IMO Market Rules*.

### **Changes to Settlement Statement File**

Currently, the IMO at the end of each *billing period* adjusts the applicable *market participant's* CMSC *settlement amounts* for the previous *billing period* using Manual Line Items (type 'MP' records). The CMSC *settlement amounts* are adjusted to the amount that would have been

determined if the approach specified above had been applied in first instance, but only for *constrained off events* of at least 1 MW.

This current practice will change starting on the September 1 *trading day* when the IMO will have the software capability to carry out the adjusted calculation (specified above) at the time of the determination of the CMSC *settlement amounts*. Where applicable, the CMSC calculations, based on the above equations, will appear on affected *preliminary settlement statements* for the *trading days* in question.

**Note 1:** The CMSC calculations will **not** change if **all offer prices** ( $P_1$ ) are greater than the **Lower Limit** as per Chapter 9, section 3.5.6.

**Note 2:** The CMSC calculation will be affected by this change for both *Constrained On* and *Constrained Off events*.

In the Settlement Statement file, the “Price 2” field (Column 13) of the detailed record for charge type 105 (CMSC) will be populated with the “**Lower Limit<sup>t</sup>**” value. The “Price 2” field (Column 13) will be populated only if the conditions presented in Steps 1 and 2 will trigger a revised CMSC calculation. The “Price 2” field (Column 13) will be blank (null) otherwise.

The Settlement Statement file for the Market Participant will appear as:

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Record Type	Charge Type	Trading Date	Trading Hour	Trading Interval	Settlement Amount	Zone ID	Location ID	Settlement Type	Billable Quantity	Price	Price 1	Price 2	Sum of AQEW and Scheduled Export Quantity	Location 1	Location 2	Intertie Metering Point ID
DP	105	Trade Date	Trade Hour	Trade Interval	Settlement Amount	Zone ID	Delivery Point ID	P,F or C				Lower Limit or NULL				Tie Point ID

18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35
Intertie Metering Point Zone	Total Quantity to Uplift/Allocate	Constant	Bilateral Tax Rate	Scheduled Import Quantity	Scheduled Export Quantity	AQEW	AQEI	Total Bilateral Quantity Sold	Total Bilateral Quantity Bought	Amount 1	Amount 2	Amount 3	Per Unit Charge ID	Zone ID 1 or Reason Code	Zone ID 2	Tax Rate	Tax Amount
Tie Point Zone										OP (MQSI/W)	OP (DQSI/W)	OP (AQEI/W)		Reason Code or Null		Tax Rate (%)	Tax Amount (\$)

### **Implementation Plan**

Since the current process revises the CMSC in the following billing period, there will be an overlap of the two processes. The automatic calculation will take place starting with the *preliminary settlement statement* for September 1, 2004, while the Manual Line Items will also be applied on the *preliminary settlement statement* for September 30, 2004 (issued in mid-October) for the events and CMSC payments during the August billing period.