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## Market Rule Amendment Proposal

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### PART 1 – MARKET RULE INFORMATION

Identification No.:	MR-00407-R00 - General Conduct Rule		
Subject:	Compliance		
Title:	General Conduct Rule		
Nature of Proposal:	<input type="checkbox"/> Alteration	<input type="checkbox"/> Deletion	<input checked="" type="checkbox"/> Addition
Chapter:	1, 3	Appendix:	
Sections:	Ch1 section 10A(new), Ch 3 section 6.2B.19 (new), 6.2B.20 (new)		
Sub-sections proposed for amending:			

### PART 2 – PROPOSAL HISTORY

Version	Reason for Issuing	Version Date
1.0	Draft for Technical Panel Review	February 19, 2014
2.0	Draft for Technical Panel Review	February 27, 2014
3.0	Draft for Technical Panel Review	March 18, 2014
4.0	Publish for Stakeholder Review and Comment	March 27, 2014
5.0	Submitted for Technical Panel Vote	April 29, 2014
6.0	Submitted for Technical Panel Vote	May 13, 2014
7.0	Recommended by Technical Panel; Submitted for IESO Board Approval	May 14, 2014
8.0	Approved by IESO Board	June 12, 2014
Approved Amendment Publication Date:		June 12, 2014
Approved Amendment Effective Date:		The effective date will be the date on which the corresponding IESO licence amendments to enable the proposed governance structure, if approved by the Ontario Energy Board, go into effect.

### PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

Provide a brief description of the following:

- The reason for the proposed amendment and the impact on the *IESO-administered markets* if the amendment is not made.
- Alternative solutions considered.
- The proposed amendment, how the amendment addresses the above reason and impact of the proposed amendment on the *IESO-administered markets*.

#### Summary

The IESO proposes to amend the market rules by introducing a general conduct rule to support the well-functioning of the IESO-administered markets.

Specifically, the amendments states:

Market participants and the IESO, shall not directly or indirectly engage or attempt to engage in conduct, alone or with another person, that they know, or ought reasonably to know,

- exploits the IESO-administered markets, including by, without limitation, exploiting any gap or defect in the market rules;
- circumvents any of the market rules;
- manipulates any of the IESO-administered markets, including by, without limitation, manipulating the determination of a settlement amount;
- undermines through any means the ability of the IESO to carry out its powers, duties or functions under the *Electricity Act, 1998* or the market rules; or
- interferes with the determination of a market price or dispatch outcome by competitive market forces.

This proposal is based on stakeholder consultation as part of SE-112: General Conduct Rule.

Further information on SE-112 can be found on the IESO's website at:

[IESO General Conduct Rule \(SE-112\)](#)

#### Background

Please refer to MR-00407-Q00.

#### Discussion

The proposed rule makes additions to Chapter 1, section 10A (new) and Chapter 3, sections 6.2B.19 (new) and 6.2B.20 (new). The proposed additions are found in Part 4 below. Changes made to the rule amendment proposal, IESOTP 278-5b (May 5, 2014), are highlighted in yellow.

#### Prospective Effect of the GCR:

Rather than add a proposed section in the market rules that the GCR cannot be applied retroactively prior to its effective date, the IESO will follow its current practice which explicitly states the effective date in the published version of any market rule amendment

## PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

## PART 4 – PROPOSED AMENDMENT

## Chapter 1

**10. [Intentionally left blank]**

10.1.1 [Intentionally left blank]

10.1.2 [Intentionally left blank]

**10A. General Conduct**

10A.1 *Market participants and the IESO shall not directly or indirectly engage or attempt to engage in conduct, alone or with another person, that they know, or ought reasonably to know:*

10A.1.1 *exploits the IESO-administered markets, including by, without limitation, exploiting any gap or defect in the market rules;*

10A.1.2 *circumvents any of the market rules;*

10A.1.3 *manipulates any of the IESO-administered markets, including by, without limitation, manipulating the determination of a settlement amount;*

10A.1.4 *undermines through any means the ability of the IESO to carry out its powers, duties or functions under the Electricity Act, 1998 or the market rules; or*

10A.1.5 *interferes with the determination of a market price or dispatch outcome by competitive market forces.*

10A.2 *Without limiting the availability of any defences that a market participant may have with respect to conduct set out in section 10A.1, a market participant will not have violated section 10A.1 where it establishes that its conduct was entirely or predominantly caused by:*

10A.2.1 a procurement contract as defined in the *Electricity Act, 1998*;  
or;

10A.2.2 an order of the *Ontario Energy Board* made in accordance with  
s. 78.1 of the *Ontario Energy Board Act, 1998*.

10A.3 For the purposes of this section 10A, “conduct” includes acts and omissions,  
but with respect to the *OPA* and *OEFC* only includes acts or omissions in their  
capacity as *market participants*, and with respect to the *IESO* does not  
include:

10A.3.1 market design or implementing government policy; and

10A.3.2 the development of the *market rules, market manuals* and  
*policies, guidelines, or other documents* referenced in section 7.7 of  
*Chapter 1*.

## 11. Information Disclosure

### Chapter 3

**NOTE:** The following proposed section is an addition to the proposed section 6.2B (new) in MR-00407-R01: General Conduct Rule – Governance

6.2B.19 The *IESO* shall, pursuant to section 6.2B.2, serve a *notice of intention* no later  
than six years after the day on which the alleged breach of section 10A of  
*Chapter 1* was discovered by the *IESO*. Where the *IESO* fails to serve a *notice  
of intention* within the time provided, no finding of breach of section 10A of  
*Chapter 1* shall be made pursuant to the *market rules* in respect of that  
conduct.

6.2B.20 For the purposes of section 6.2B.19, the term “discovered” has the meaning  
prescribed in section 5(1) of the *Limitations Act, 2002*.

### PART 5 – IESO BOARD DECISION RATIONALE

This amendment fulfills the IESO Board’s direction to IESO Management to develop a market rule amendment, with input from stakeholders, that relates to the general conduct of market participants that is similar to equivalent provisions in other jurisdictions. Specifically, the amendment states that market participants and the IESO, shall not directly or indirectly engage or attempt to engage in conduct, alone or with another person that they know, or ought reasonably to know:

- exploits the IESO-administered markets, including by, without limitation, exploiting any gap or defect in the market rules;

**PART 5 – IESO BOARD DECISION RATIONALE**

- circumvents any of the market rules;
- manipulates any of the IESO-administered markets, including by, without limitation, manipulating the determination of a settlement amount;
- undermines through any means the ability of the IESO to carry out its powers, duties or functions under the *Electricity Act, 1998* or the market rules; or
- interferes with the determination of a market price or dispatch outcome by competitive market forces.