

Criteria Evaluation

Criteria for Exemption	Evaluated	Details of Assessment
<p>whether the exemption that is the subject-matter of the exemption application would, if granted, materially:</p> <ul style="list-style-type: none"> • impact the ability of the IESO to direct the operations and maintain the reliability of the IESO-controlled grid 	<input checked="" type="checkbox"/>	<p>The IESO does not believe that granting the exemption would have a material impact on the IESO’s ability to maintain the reliability of the IESO controlled grid.</p> <p>The IESO considered for those months in which no Transmission rights (TRs) will be auctioned, which is expected to be at most two months, whether an inability to hedge intertie congestion via TRs could increase real-time import and export failures.</p> <p>Behavior in the current market indicates that the difference in failure rate for intertie transactions with TRs in comparison to intertie transactions without TRs was only about 2%. The IESO has no reason to believe the failure rate would be worse during the transition period given the financially binding future day-ahead market and has deemed this to be an acceptable risk.</p>
<p>whether the exemption that is the subject-matter of the exemption application would, if granted, materially:</p> <ul style="list-style-type: none"> • impact the ability of the IESO to ensure non-discriminatory access to the IESO-controlled grid; 	<input type="checkbox"/>	<p>N/A</p>
<p>whether the exemption that is the subject-matter of the exemption application would, if granted, materially:</p> <ul style="list-style-type: none"> • affect the ability of the IESO to operate the IESO-administered markets in an efficient, competitive and reliable manner; 	<input checked="" type="checkbox"/>	<p>The IESO does not believe that granting this exemption would affect the ability of the IESO to operate the IESO administered market in an efficient, competitive, and reliable manner.</p> <p>The exemption would allow the IESO to continue to operate a transparent transmission rights (TR) market during the transitional period. TR auctions conducted during the exemption period would not sell TRs with an overlapping ownership period. TR market participants would have the information they require to determine a bid amount based on the stipulated ownership period and TR settlement methodology without uncertainty related to the future market.</p>

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<p>whether the exemption that is the subject-matter of the exemption application would, if granted, materially:</p> <ul style="list-style-type: none"> increase costs of market participants; 	<input checked="" type="checkbox"/>	<p>The IESO does not believe granting this exemption would materially increase costs of market participants.</p> <p>TRs that would have been auctioned at the cancelled long-term (LT) auctions due to the exemption, will still be made available for market participants at the short-term (ST) auctions.</p> <p>For the transitional period where there would be no TRs in the market, it is expected that market participants would be informed well in advanced during this period, and would hence be aware of, and factor in any associated risks of intertie congestion prior to offering into the market.</p> <p>Any residual congestion rents collected for the transitional period with no TRs would continue to be disbursed as per the normal Transmission Rights Clearing Account (TRCA) disbursement.</p>
<p>whether the exemption that is the subject-matter of the exemption application would, if granted, materially:</p> <ul style="list-style-type: none"> increase costs of the IESO 	<input checked="" type="checkbox"/>	<p>The IESO does not believe that granting this exemption would materially increase costs to the IESO. However, should the exemption not be provided, the IESO would need to make adjustments to its tools to provide for settlement spanning two different markets.</p>
<p>whether the exemption that is the subject matter of the exemption application would, if granted:</p> <ul style="list-style-type: none"> give the exemption applicant an undue preference in the IESO-administered markets; 	<input type="checkbox"/>	<p>N/A</p>
<p>whether the cost or delay to the exemption applicant of complying with the obligation or standard to which the exemption application relates is reasonable, having regard to the nature of the obligation or standard, the nature of the exemption application and the anticipated impact of non-compliance by the exemption applicant in terms of the elements referred to above;</p>	<input checked="" type="checkbox"/>	<p>If the IESO were to hold the regularly scheduled auctions as currently required, unreasonable costs would be incurred for both the IESO and market participants.</p> <p>Any TR auctions conducted during the transitional period would require specialized settlements for both markets.</p> <p>Further, the value of the TRs that overlap both markets would be determined by the exact number of days in each market, which will not be known until the specific day of the Market Renewal Program (MRP) go-live is</p>

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		<p>determined. It is conceivable that the exact go-live date may need to be adjusted for non-MRP reasons, such as an adverse weather forecast. As such, TR participants may not have the appropriate information required to determine a bid amount for a TR that spans both markets. The inability of the IESO to provide the appropriate information required to conduct a transparent market could result in market disputes.</p>
<p>the adequacy of the exemption plan submitted by the exemption applicant;</p>	<input checked="" type="checkbox"/>	<p>The exemption plan submitted addresses the issues related to the transitional ownership period for TRs, highlights the concerns if the exemption was not granted, and ensures minimal impact on the TR market. The exemption will be temporary and will no longer be required post-MRP once the new TR settlement methodology is in place and market participants gain familiarity with the future market.</p> <p>The exemption plan includes an attachment that provides supplementary information outlining the need for the exemption, and any impacts to the IESO and market participants. Evidence for the exemption has been provided for the criteria stipulated in Market Manual 2.2 in this document. The approach of submitting an exemption to address the TR transitional issue has also been presented to external stakeholders in a separate external engagement with no concerns raised.</p>
<p>where the exemption applicant is the IESO, identification of the benefit to market participants of compliance with the obligation or standard relative to the financial and other resources required to achieve compliance within such deadlines as may be applicable;</p>	<input checked="" type="checkbox"/>	<p>If the exemption is not granted, the only benefit to market participants is that they would still have the capability to purchase TRs to hedge intertie congestion for those months in which no TRs would be available under the exemption (expected to be at most two months). Although TR market participants would be able to purchase those TRs, they would still be burdened with the uncertainty surrounding the transitional ownership period between the current and the future market, as well as any changes to future TR settlement. Market participants could be hindered in making informed bids in any TR auction conducted during the transitional period resulting in less than optimal market outcomes.</p> <p>If the exemption were granted, the TR auctions conducted by the IESO would only sell TRs that do not have an overlapping ownership period between the current and future market. Any other auctions that</p>

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		<p>would have been normally scheduled, that would sell TRs with a transitional period will be cancelled by the IESO, with advanced notice being provided to market participants.</p> <p>Therefore, it is the IESO's assessment that market participants and the TR market as a whole would benefit from the IESO being granted this exemption because TR market participants would not be burdened with the uncertainty surrounding the transitional ownership period impacting the TR settlement.</p>
<p>where the exemption applicant is the IESO, the manner in which it proposes to operate in the IESO-administered markets or direct the operations and maintain the reliability of the IESO controlled grid during the period in which the exemption would be in effect;</p>	<input checked="" type="checkbox"/>	<p>The IESO is using this exemption to exempt itself from conducting TR auctions that sell TRs during the transitional period.</p> <p>An exemption provides flexibility for the IESO to continue to conduct auctions that do not sell TRs during the transitional period. Any long-term (LT) TRs that were not sold will still be sold in the applicable short-term (ST) auctions.</p> <p>It is expected that the number of TRs that will be available for auction during the exemption period will be the same as if there were no exemption, except for those months where no ST auctions will be held, which is expected to be at most two months.</p> <p>For the time period in which no TRs will be available in the market, it is expected that the IESO can manage any reliability risks due to any non-TR backed intertie transactions that may fail. The IESO has the capability to take out-of-market actions to address any reliability concerns if there is an over-generation issue.</p> <p>The IESO would seek to minimize the number of months where no auctions exist and will look to re-establish TR auctions as per normal market schedules as soon as possible post-MRP. The IESO will communicate TR auction cancellations via the IESO Bulletin. Following such notice, the IESO will also update the official transmission rights auction schedule posted on the IESO website.</p> <p>The IESO may reinstate a previously cancelled TR auction by providing notice to market participants via the IESO Bulletin of such reinstatement, provided such notice is issued prior to the deadline for the publication of the pre-auction report for such auction. Following such notice, the IESO will also update the official</p>

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		transmission rights auction schedule posted on the IESO website.
<p>whether the facility or equipment that is the subject-matter of the exemption application:</p> <ul style="list-style-type: none"> • was in service or was returned to service on the date on which the obligation or standard to which the exemption application relates came into force; • was ordered by the exemption applicant on or prior to the date on which the obligation or standard to which the exemption application relates came into force; or • was in the process of construction on or prior to the date on which the obligation or standard to which the exemption application relates came into force; and 	<input type="checkbox"/>	N/A
<p>the capability of the owner of the facility or equipment to operate the facility or equipment consistent with the terms of the proposed exemption.</p>	<input type="checkbox"/>	N/A

Proposed Terms and Conditions:

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Effective Date of Exemption (Or event causing the exemption to become effective)	Immediately upon IESO Board approval
Date of Expiration of Exemption <ul style="list-style-type: none"> • If greater than 5 years, the Panel must be satisfied that the circumstances justify a later date • Circumstances which will cause the exemption to immediately expire 	Exemption to expire two months after the MRP commencement date.
Market Rule(s) or related Market Manual(s) from which the Exemption is granted	MR Ch8. Section 4.10.1 MR Ch8. Section 4.11.1 If the above market rules are amended as part of MRP, the exemption shall apply to the market rules which provide the same obligations.
Restrictions on the manner of operation and or additional obligations to be met during the term of the exemption, if any.	<p>The IESO shall make reasonable efforts to continue to conduct transmission rights auctions in accordance with the schedule prescribed in sections 4.10.1 and 4.11.1 of Chapter 8 for transmissions rights that (a) do not have an ownership period that overlaps with the effective date of the market renewal project market rules; or (b) do not result in an auction being conducted prior to the effective date of the MRP market rules for an ownership period that commences after the effective date of the market renewal project market rules.</p> <p>The IESO shall notify market participants as soon as possible, and in no event later than the date on which the pre-auction report for such auction is to be published, of any auctions which will not be conducted in accordance with the schedule prescribed in sections 4.10.1 and 4.11.1 of Chapter 8. The IESO will communicate TR auction cancellations via the IESO Bulletin. Following such notice, the IESO will also update the official transmission rights auction schedule posted on the IESO website.</p> <p>The IESO may reinstate a previously cancelled TR auction by providing notice to market participants via the IESO Bulletin of such reinstatement, provided such notice is issued prior to the deadline for the publication of the pre-auction report for such auction. Following such notice, the IESO will also</p>

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	update the official transmission rights auction schedule posted on the IESO website.
Monitoring Information Required Information required to be provided by the exemption applicant for monitoring by the IESO	N/A
Payment of Costs <ul style="list-style-type: none"> • Processing costs (when introduced) • Incremental exemption costs • Settlement amounts to be repaid 	N/A
Reconsideration/Removal <ul style="list-style-type: none"> • Date on which the exemption will be reconsidered (if applicable) • Circumstances under which the exemption will be reconsidered (if applicable) other than unforeseen future change in circumstances 	N/A
Transferability List the terms and conditions that need to be met to allow for a transfer of this exemption to be approved by IESO staff	N/A
Other:	