

Market Rules True-Up – Disconnection Orders

Technical Panel
August 15, 2017

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Agenda

- Background
 - Historical Market Rule Amendment Summary
- Current Need for a Proposed Market Rules True-Up
- Technical Panel Feedback
- Connection Details
- Process for Disconnection Orders
- Next Steps



Background

Historical Market Rule Amendment – MR-00335: Revisions to the Suspension, Termination and Disconnection Provisions for Events of Default

- In 2007, financial insolvencies of two market participants exposed gaps in the market rules related to suspension, termination and disconnection for events of default
- The gaps created a risk that the market may be required to pay unpaid amounts of a defaulting market participant for an extended period of time
- In June 2007, IESO Board directed the IESO to undertake stakeholder consultation on amendments to the market rules to address these gaps
- IESO worked with stakeholders to streamline the process and remove measures that duplicated legal protections available to a defaulting market participant outside of the market rules
- Various sections within Chapter 3, section 6 were amended relating to the suspension, termination and disconnection of a facility for financial events of default and for persistent breaches of the market rules

Introduction of Disconnection Orders to “Other Market Participants”

One identified gap that was addressed via MR-00335 related to the disconnection of facilities embedded within or behind a “host” market participant:

- Prior to MR-00335 the IESO was only permitted to issue disconnection orders to transmitters and distributors
- The market rules did not permit the IESO to issue disconnection orders to any other kind of MP:
 - For example, a wholesale customer may have a defaulting MP embedded within or behind its facility that could continue to consume electricity and expose the market to credit risk
- To mitigate this risk, market rules were amended to grant the IESO the authority to issue disconnection orders to a transmitter, distributor or “other market participant” under Ch 3, sections 6.3A.4.3, 6.4.3 and 6.5.3

Current Market Rules True-Up

Need for True-Up:

- While MR-00335 granted IESO authority to issue disconnection orders, the amendment did not include an obligation for participants to comply with such disconnection orders.

Amendment Proposal:

- MR-00431 proposes to include the obligation for participants to comply with disconnection orders issued pursuant to Chapter 3.
- For consistency, the proposal includes the authority for IESO to issue disconnection orders to “other market participants” within reliability related sections in Chapter 4, where appropriate.



Technical Panel Feedback

Technical Panel members raised the following questions during the June 27, 2017 meeting:

- What types of market participants could be issued the disconnection order? i.e., who is in the “other market participant” bucket?
- Uncertainty on the disconnection order process; when would the IESO issue such a disconnection order via voice communication?

Without clarity on the preceding bullets, Panel members could not assess the potential impact of disconnection orders on a distribution system



Connection Details

Other Market Participants

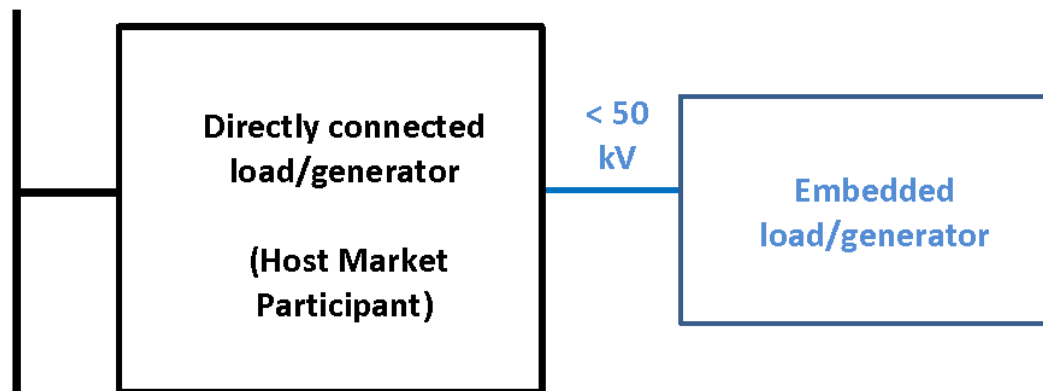
- The IESO has over 650+ directly-connected facilities registered
- Of these directly connected facilities there are only 9 instances where an embedded market participant is connected within a host market participant (i.e. connected via “Other MP”). These instances are represented as a:
 - Load facility connected within a directly connected load facility (x3);
 - Load facility connected within a directly connected generator facility; (x3); and
 - Generator facility connected within a directly connected generator facility (x3)
- Market Registration is currently in the process of registering an embedded load facility to a directly connected load facility

Connection Details

Other Market Participants

A typical “other market participant” connection:

Transmission system
50 kV and greater



Disconnection Orders – Process

Events of Default & Persistent Breaches of the Market Rules

- A disconnection order may be issued by the IESO if one of the following has been issued:
 - Suspension Order (Ch 3, section 6.3A)
 - Termination Order (Ch 3, section 6.4)
 - De-registration of MPs Facilities (Ch 3, section 6.5)
- In accordance with Chapter 3, one of the above orders may be issued in response to:
 - Persistent Breaches of the Market Rules (Ch 3, section 6.2A)
 - Events of Default (Ch 3, section 6.3)
- In all cases, the IESO will provide the market participant with the appropriate notice before issuing any order, and take all other applicable steps, such as providing a copy of the notice to the OEB and affected transmitters, distributors and other MPs

Persistent Breaches of the Market Rules

Summary of Chapter 3 section 6.2A

Where a market participant has breached the market rules on a persistent basis, section 6.2A sets out the steps that the IESO may take, which include issuing a suspension or termination order, or deregistering the MP's registered facilities. All such steps may lead to the IESO issuing a disconnection order.

Prior to the IESO taking any such action, the IESO must provide:

- Notice to the market participant, stating the grounds and any supporting evidence and timeline for the MP to oppose such action
- A copy of the notice to the OEB, any connected transmitter, distributor or other MP
- If the MP does not request a hearing, the IESO may take action

Where the IESO has determined the MP has persistently breached the market rules, IESO may:

- Issue a suspension order (section 6.2A.1.1)
- Issue a termination order (section 6.2A.1.2)
- De-register a MP's registered facilities (section 6.2A.1.3)

Events of Default

Summary of Chapter 3 section 6.3.3

Where a market participant commits an event of default, section 6.3.3 sets out the steps the IESO may take, which include issuing a notice of intent to suspend.

Where an event of default has occurred the IESO may:

- Issue a notice of intent to suspend (section 6.3.3.1)

Where the event of default has not been remedied the IESO may:

- Issue a suspension order to a MP (section 6.3A.1.1)

When a suspension order is issued the IESO shall:

- Publish the details of the suspension order; and
- Provide a copy of the order to the OEB as well as any connected transmitter, distributor or other market participant (section 6.3A.2)

To give effect to a suspension order, the IESO may issue a disconnection order to the connected transmitter, distributor, or other MP (section 6.3A.4.3)

- For events of default, the defaulting market participant is often withdrawing minimal power and may be on “caretaker load”

Disconnection Orders

For Emergency, Safety or Reliability Reasons

In accordance with Chapter 4, the IESO may issue a disconnection order to a transmitter, distributor or other market participant during an emergency or for safety or reliability reasons in the following instances:

- During an *emergency* (Ch 4, section 6.4.1)
- When there is a threat to the safety of any person, damage to equipment/the environment, or reliability of the integrated power system (Ch 4, section 6.4.2)

The other instances where the IESO may issue a disconnection order (Ch 4, sections 6.4.2A, 6.4.2B and 6.4.3) involve issuing an order only to a transmitter in their role as a transmission system operator.

The IESO may issue such disconnection orders via Voice Communication.

Proposed Next Steps

August 15
TP Meeting

- Presentation to the Technical Panel
- TP vote to post amendment proposal for stakeholder comment

September 26
TP Meeting

- TP Vote to recommend amendment proposal to IESO Board for consideration

October 25 IESO
Board Meeting

- IESO Board to consider amendments for approval