

Memorandum

To: Technical Panel
From: Josh Duru
Date: September 19, 2017
Re: MR-00431: Market Rules True-Up – Disconnection Orders

Attached for Technical Panel review and consideration are the following documents:

- Written Submission from the Electricity Distributors Association (EDA);
- Market rule amendment proposal MR-00431-R00.

The IESO proposes to amend the market rules to explicitly identify the obligation of transmitters, distributors and other market participants to comply with disconnection orders issued by the IESO to give effect to a suspension order, termination order or an IESO ordered de-registration of a market participant's facilities due to persistent breaches of the market rules.

In addition, the IESO proposes to amend references to disconnection orders within the grid connection requirements of the market rules in order to create consistency regarding the types of market participants to whom the IESO may issue a disconnection order.

At its meeting on August 15th, the Technical Panel reviewed a previous draft of the amendment proposal. The amendment proposal was posted on the IESO website for stakeholder comment for a period of two weeks, ending August 31, 2017. The IESO received one written submission from the EDA. The amendment proposal has not changed from the previous version reviewed at the August 15th Panel meeting.

A summary of the written submission and the IESO response is provided below:

EDA Comments and IESO Response

In general the EDA is supportive of MR-00431-R00 and the consistent treatment that it will provide for all market participants with respect to the IESO's powers to disconnect. The EDA is supportive of consistency across the IESO Market Rules and commends the IESO for addressing this gap.

The EDA believes that the IESO market rules must be explicit that the local distribution company (LDC) is held harmless from any and all consequences when disconnecting an embedded wholesale market participant at the IESO's direction and under the authority of its market rules.

IESO Response

The IESO believes that LDCs are sufficiently protected by proposed sections in the amendment proposal which align with existing provisions of the market rules, and the Distribution System Code (DSC)¹. As a result, the IESO does not believe it is necessary to add a provision to the amendment which would indemnify or hold harmless LDCs from any and all consequences arising from carrying out a disconnection order.

An LDC's obligation to comply with disconnection orders introduced under MR-00431-R00 is subject to the exception that such orders are not intended to prevent LDCs from taking action to ensure safety, prevent damage of equipment or prevent the violation of any applicable law (proposed section 6.5A.2). Consistent with longstanding provisions regarding compliance with disconnection orders for reliability, emergency or safety reasons, LDCs are provided with the discretion not to carry out a disconnection order where doing so would jeopardize safety, damage equipment, or violate any applicable law. Furthermore, as presented at the August 15th Technical Panel meeting, there is an exhaustive IESO process to issue a disconnection order pursuant to Chapter 3 (events of default and persistent breaches of the market rules) where all applicable parties are notified and potential impacts can be assessed.

Under the DSC, section 2.2.1, an LDC's liability is limited to damage arising out of willful misconduct or negligence in the provision of distribution service, in meeting obligations under the DSC and other law, which includes the market rules. Furthermore, section 2.2.2 of the DSC specifies that under no circumstance is an LDC liable to customers for lost profits or revenues, business interruption losses, loss of contract or loss of goodwill, or for any indirect, consequential, incidental or special damages.

In these circumstances, and consistent with the proposed amendment, LDCs and other market participants are provided with the discretion not to comply with an IESO order, including a disconnection order, where they reasonably believe that complying with the order will endanger safety, damage equipment or violate applicable law.

Panel Decision Required

The IESO recommends that the Technical Panel vote to recommend MR-00431-R00 to the IESO Board for approval at its meeting on October 25, 2017. The recommended effective date is November 17, 2017.

Yours truly,

Josh Duru

Attach.

¹ [Ontario Energy Board – Distribution System Code](#)