



## Market Rule Amendment Submission

This form is used to request an amendment to, or clarification of, the *Market Rules*. Please complete the first four parts of this form and submit the completed form by email or fax to the following:

Email Address: [Rule.Amendments@theIMO.com](mailto:Rule.Amendments@theIMO.com)

Fax No.: (416) 506-2847 Attention: Market Rules Group

**Subject: *Market Rule Amendment Submission***

All information submitted in this process will be used by the *IMO* solely in support of its obligations under the *Electricity Act, 1998*, the *Ontario Energy Board Act, 1998*, the *Market Rules* and associated policies, standards and procedures and its licence. All submitted information will be assigned the *confidentiality classification* of “public” upon receipt. You should be aware that the *IMO* will *publish* this *amendment submission* if the *Technical Panel* determines it warrants consideration and may invite public comment.

Terms and acronyms used in this Form that are italicized have the meanings ascribed thereto in Chapter 11 of the *Market Rules*.

### PART 1 – SUBMITTER’S INFORMATION

Please enter contact information in full

<b>Name: Andy Poray, Hydro One Networks Inc.; Randy J. Heaton, Ontario Power Generation Inc.</b>	
(if applicable) <i>Market Participant / Metering Service Provider</i> No. <sup>1</sup> :	<i>Market Participant Class:</i> <b>Transmitter/Distributor; Generator</b>
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### PART 2 – MARKET RULE AMENDMENT SUBMISSION INFORMATION

<b>Subject: Transmission Customers – Metering Requirements for Embedded Generation Facilities</b>		
<b>Title: Metering Requirements for Embedded Generation Facilities</b>		
<b>Nature of request (please indicate with X): <input checked="" type="checkbox"/> Alteration <input type="checkbox"/> Deletion <input checked="" type="checkbox"/> Addition <input type="checkbox"/> Clarification</b>		
<b>Chapter: 6</b>	<b>Appendix:</b>	<b>Sections: 2 and 4</b>
<b>Sub-sections proposed for amending/clarifying :</b>		

<sup>1</sup> This number is a maximum of 12 characters and does not include any spaces or underscore.

**PART 3 – DESCRIPTION OF THE ISSUE**

Provide a brief description of the issue and reason for the proposed amendment. If possible, provide a qualitative and quantitative assessment of the impacts of the issue on you and the *IMO-administered markets*. Include the Chapter and Section number of the relevant market rules.

**Issue**

The Ontario Transmission Rate Schedules issued on April 30, 2002 by the Ontario Energy Board (OEB) require transmission customers to conform with Chapter 6 of the Market Rules in respect of metering requirements for embedded generation if:

- the required approvals for the generation are obtained after October 30, 1998; and
- the generator unit rating is 1 MW or higher; and
- the transmission delivery point through which the generator is connected to the transmission system attracts Line or Transformation Connection Service charges.

Participants in the IMO-administered markets, including embedded generators are required to comply with the market rules with respect to metering installations. If the embedded generators do not participate in the IMO-administered markets they would be required to conform with the metering requirements of the distribution code. Since there was a requirement for the IMO to read, validate and automatically incorporate the results into the relevant settlement calculations related to the transmission line and transformation connection charges payable to the Transmission Customers, it was deemed necessary for the metering to meet Chapter 6 standards. There is concern that the current metering requirement in Chapter 6 of the Market Rules may place a significant financial burden on new embedded generators that are not participating in the IMO market and on Transmission Customers such as Local Distribution Companies (LDCs) distribution companies within whose territories the embedded generators are located.

**Background**

In May 2000, the OEB published its decision relating to Transmission Cost Allocation and Rate Design that would be implemented after the opening of the market (RP-1999-0044). The OEB ruled that for new embedded generation, net load billing would apply for network transmission service and gross load billing would apply for line connection and transformation connection service. Exemptions for gross load billing would apply to embedded generators that were approved prior to October 30, 1998 or whose capacity is under 1 MW.

In January 2001, the OEB issued its Final Transmission Rate Order. The Transmission Rate Schedules attached to the Rate Order required LDCs to ensure that all 1MW or greater embedded generators, approved after October 30, 1998, meet the requirements of Chapter 6 of the Market Rules if the output of these generators is required for calculating transmission charges, regardless of whether the embedded generator was a market participant. The Transmission Rate Order's intent is to ensure that the host LDC is billed on a gross basis for transmission line and transformation connection charges as per the RP-1999-0044 decision. Prior to the issuing of the Rate Order, the IMO advised Hydro One Networks (HON) and the OEB on the IMO metering requirements to settle on a gross basis. The IMO required that the embedded generator's meter must be Chapter 6 compliant so that it could poll/read the applicable meters and automatically incorporate the results into the relevant settlement calculations related to the transmission line and transformation connection charges payable by the Transmission

**PART 3 – DESCRIPTION OF THE ISSUE**

Customers.

In April 2002, the OEB issued a revised Transmission Rate Order and Ontario Transmission Rate Schedules that apply to multiple licensed transmitters in Ontario. The revised rate schedule did not include any changes with respect to the metering requirement for embedded generation.

In January 2003, OPG, HON and the IMO initiated discussions on the issue of metering requirement for embedded generation since it impacted a number of new embedded generating facilities.

In May 2003, the IMO indicated that it is prepared to consider a relatively lower standard for metering associated with embedded generation where the metering is required solely for the purpose of calculating transmission charges.

**Discussion**

Some distribution companies and proponents of new embedded generation have identified that the requirement for metering for embedded generation, as noted above, places unnecessary and costly obligation on small and medium sized embedded generators. Specifically, they have noted that the embedded generators that do not participate in the IMO-administered markets have to satisfy the relatively onerous requirements specified in Chapter 6 solely because the IMO has to measure the output of embedded generation for calculating transmission charges. The LDCs have also noted a concern that the metering requirements specified in Chapter 6 result in additional costs related to the MSP function that they need to provide in relation to the embedded generators that do not participate in the IMO-administered markets.

In view of the fact that the metering data for non-participating embedded generation is used only for the calculation of transmission charges, and because of the relatively high cost of compliant metering required by the Market Rules, the IMO, HON, OPG and some other stakeholders have explored alternative options to the provision of fully compliant metering for such generators. It is envisaged that such options would reduce an obstacle to investment in new embedded generation.

In initial discussions with the technical panel, alternatives were suggested that may have been incorporated by the OEB into a revised Transmission Rate Schedule. This option is not expected to go forward in the short term, thus a proposal for modifying Chapter 6 of the market rules is proposed.

**PART 4 – PROPOSAL (BY SUBMITTER)**

Provide your proposed amendment. If possible, provide suggested wording of proposed amendment.

It is proposed that the following provisions be included in Chapter 6:

1. Transmission customers that have new embedded generation facilities that:
  - are not separately registered in the IMO-administered markets,
  - are rated at greater than 1 MW and less than 20 MW, and
  - meet the applicable Ontario Transmission Rate Schedule requirements

shall have their metering service provider register with the IMO a metering point for the embedded facility, without a corresponding wholesale physical meter, for the purpose of adjusting the transmission delivery point. This process ensures that the transmitter concurs with the registration data related to the metering point for the embedded facility. The IMO shall not be obligated to verify that transmission customers that have an embedded generation facility have registered a metering point for the embedded facility.

2. For the purpose of determining applicable transmission charges, the MMP/transmission customer may provide the IMO, in the manner and time specified by the IMO, the embedded generation facility actual output as measured by the facility metering that meets the distribution code metering requirements.
3. The IMO shall not validate the data provided by the transmission customer nor estimate the data if the data is not provided in the manner and time specified by the IMO. If the data is not provided in the manner and time specified by the IMO, the IMO shall use a default value equal to the installed capacity of embedded generation, which shall be provided by the transmission customer's MSP at the time of the registration of the metering point for the embedded facility.

**PART 5 – FOR IMO USE ONLY**

***Technical Panel Decision on Rule Amendment Submission***

**MR number: MR-00250-Q00**

**Date submitted to *Technical Panel*: November 20, 2003**

**PART 5 – FOR *IMO* USE ONLY**

<b>Accepted by <i>Technical Panel</i> as:</b> <input checked="" type="checkbox"/> <b>General</b> <input type="checkbox"/> <b>Urgent</b> <input type="checkbox"/> <b>Minor</b> (please indicate with X)	<b>Date: November 25, 2003</b>
<b>Criteria for acceptance:</b> The amendment reduces participant costs. The IMO-administered market currently has metering requirements that may indirectly place a significant financial burden on transmission customers such as LDCs within whose territories embedded generators are located.	
<b>Priority: High</b>	
<b>Criteria for assigning priority:</b> The amendment submission is a high priority due to the pervasiveness of the issue. The issue is seen as a significant barrier for new investment for embedded generators.	
<b>Not accepted</b> (please indicate with X):	
<b>Clarification/interpretation required</b> (please indicate with X):	
<b><i>Technical Panel</i> minutes reference: IMOTP 134-1</b>	
<b><i>Technical Panel</i> Comments:</b>	