



Market Rule Amendment Proposal

PART 1 – MARKET RULE INFORMATION

Identification No.: MR-00224-R00	
Subject: Settlements and Billing	
Title: Replace Requirement for Settlement Reserve Account	
Nature of proposal (please indicate with X): <input type="checkbox"/> Alteration <input type="checkbox"/> Deletion <input type="checkbox"/> Addition	
Chapter:9	Appendix:
Sections:6.18	
Sub-sections proposed for amending:6.18.5, 6.18.5.1, 6.18.5.2	

PART 2 – PROPOSAL HISTORY

Version	Reason for Issuing	Version Date
1.0	Submitted for Technical Panel Review and Recommendation	Sept. 17, 2003
2.0	Recommended by Technical Panel (TP 130) & Submitted for IMO Board Approval	Sept. 23, 2003
3.0	Approved by IMO Board	October 3, 2003
Approved Amendment <i>Publication</i> Date: October 31, 2003		
Approved Amendment <i>Effective</i> Date: November 23, 2003		

PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

Provide a brief description of the following:

- The reason for the proposed amendment and the impact on the *IMO-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 *IMO-administered markets*.

This market rule amendment proposes to remove the obligation on the IMO to establish and use a settlement reserve account and to authorize the IMO to use short-term borrowings as required to settle the real-time market. The proposed change will permit the IMO not to incur unnecessary costs, which would be borne by market participants.

The market rules in section 6.18.5 of Chapter 9 obligates the IMO to open and maintain an IMO settlement reserve account. This concept of a settlement reserve account was part of the fourth and final report of the Market Design Committee, Jan. 29, 1999 and was included in the initial set of market rules made by the Minister of Energy in April 1999. When this market rule was written it was thought that the settlement reserve account would be a “line of credit” for use by the IMO to pay market suppliers on time when a buying market participant is in default or is late in paying their invoice. In practice, the IMO has used the settlement clearing account along with a default credit facility on a regular basis for the purpose of settling the IMO-administered markets and thus there is no need for the settlement reserve account.

The benefit to the market of using a default credit facility versus a standard line of credit is that the former provides an option for the IMO to borrow, on average, at a lower cost under certain conditions for the purposes of settling the market in comparison to that which the IMO could obtain by using the latter. Furthermore, the default credit facility requires a more formal “borrowing” procedure such that each time the IMO uses this facility there is a discreet and transparent audit trail created for tracking the borrowing, the use of the funds and the associated costs.

MR-00224-R00 proposes to amend the market rules in section 6.18.5 of Chapter 9 to remove the obligation for the IMO to open and maintain the settlement reserve account.

PART 4 – PROPOSED AMENDMENT

6.18 Settlement Accounts

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6.18.5 ~~[Intentionally left blank]The IMO shall open and maintain the IMO settlement reserve account, which account shall operate as follows:~~

6.18.5.1 ~~[Intentionally left blank]the IMO settlement reserve account shall be a single bank account established to provide, in the event of default in~~

~~payment by a market participant, the transfer of necessary funds from this account to clear the IMO settlement clearing account; and~~

6.18.5.2 ~~[Intentionally left blank]when required, funds shall be transferred to the IMO settlement clearing account to cover or reduce any deficits in accordance with the provisions of section 6.14.6.~~

6.18.5.3 [Intentionally left blank]

PART 5 – IMO BOARD COMMENTS



Market Rule Amendment Proposal

PART 1 – MARKET RULE INFORMATION

Identification No.: MR-00224-R01	
Subject: Settlements and Billing	
Title: Replace Requirement for Settlement Reserve Account	
Nature of proposal (please indicate with X): <input checked="" type="checkbox"/> Alteration <input type="checkbox"/> Deletion <input type="checkbox"/> Addition	
Chapter: 2	Appendix:
Sections: 8.7	
Sub-sections proposed for amending: 8.7.1.2	

PART 2 – PROPOSAL HISTORY – PLEASE REFER TO MR-00224-R00

Version	Reason for Issuing	Version Date
Approved Amendment <i>Publication</i> Date:		
Approved Amendment <i>Effective</i> Date:		

PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

Provide a brief description of the following:

- The reason for the proposed amendment and the impact on the *IMO-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 *IMO-administered markets*.

Consequential to MR-00224-R00 there is a need to amend the market rules in section 8.7 of Chapter 2 by removing the reference to the IMO settlement reserve account with respect to the allocation of amounts collected from the use of the default levy. For further information please refer to MR-00224-R00.

PART 4 – PROPOSED AMENDMENT**8.7 Allocation of Default Levy**

8.7.1 The *IMO* shall allocate amounts received from *non-defaulting market participants* in respect of a *default levy*:

8.7.1.1 first, to repay any short-term funds borrowed by the *IMO* pursuant to section 6.14.4 of Chapter 9 on account of the *defaulting market participant's* default in payment; and

8.7.1.2 [Intentionally left blank]~~second, to replenish any funds transferred from the *IMO settlement reserve account* pursuant to section 6.14.6 of Chapter 9 on account of the *defaulting market participant's* default in payment; and~~

8.7.1.3 ~~third~~second, to the payment of amounts owed by the *defaulting market participant* to the *IMO* on account of the *IMO administration charge*.

PART 5 – IMO BOARD COMMENTS



Market Rule Amendment Proposal

PART 1 – MARKET RULE INFORMATION

Identification No.: MR-00224-R02	
Subject: Settlements and Billing	
Title: Replace Requirement for Settlement Reserve Account	
Nature of proposal (please indicate with X): <u> X </u> Alteration <u> </u> Deletion <u> </u> Addition	
Chapter: 9	Appendix:
Sections: 6.11	
Sub-sections proposed for amending: 6.11.5	

PART 2 – PROPOSAL HISTORY – PLEASE REFER TO MR-00224-R00

Version	Reason for Issuing	Version Date
Approved Amendment <i>Publication</i> Date:		
Approved Amendment <i>Effective</i> Date:		

PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

Provide a brief description of the following:

- The reason for the proposed amendment and the impact on the *IMO-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 *IMO-administered markets*.

Consequential to MR-00224-R00 there is a need to amend the market rules in section 6.11.5 of Chapter 9 to remove the reference to the IMO settlement reserve account and to enable the IMO to, if necessary, borrow funds to clear the IMO settlement clearing account. For further information please refer to MR-00224-R00.

PART 4 – PROPOSED AMENDMENT

6.11 Payment of Invoices

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6.11.5 The *IMO* shall, on the *IMO payment date* specified in the *SSPC* or, where applicable, determined in accordance with any of sections 6.3.23, 6.3.27, and 6.3.29, determine the amounts available in the *IMO settlement clearing account* for distribution to *market participants*, and shall, if necessary, borrow funds ~~arrange to transfer amounts from the *IMO settlement reserve account*~~ in accordance with the provisions of section 6.14 if necessary to enable the *IMO settlement clearing account* to clear no later than 11:00 am on the *IMO payment date*.

PART 5 – IMO BOARD COMMENTS



Market Rule Amendment Proposal

PART 1 – MARKET RULE INFORMATION

Identification No.: MR-00224-R03	
Subject: Settlements and Billing	
Title: Replace Requirement for Settlement Reserve Account	
Nature of proposal (please indicate with X): <input checked="" type="checkbox"/> Alteration <input type="checkbox"/> Deletion <input type="checkbox"/> Addition	
Chapter: 9	Appendix:
Sections: 6.14	
Sub-sections proposed for amending: 6.14.4.2, 6.14.6, & 6.14.7	

PART 2 – PROPOSAL HISTORY –PLEASE REFER TO MR-00224-R00

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PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

Provide a brief description of the following:

- The reason for the proposed amendment and the impact on the *IMO-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 *IMO-administered markets*.

Consequential to MR-00224-R00 there is a need to amend the market rules in section 6.14 of Chapter 9. It is proposed to amend section 6.14.6 to reflect the fact that the IMO settlement reserve account has not been activated and therefore cannot have funds transferred from it to the IMO settlement clearing account. The proposed amendment to 6.14.6 necessitates an amendment to section 6.14.4.2 because the conditions specified in 6.14.4.2 as they relate to 6.14.6 will no longer apply. There is also a need to amend section 6.14.7 to remove the reference to the IMO settlement reserve account.

PART 4 – PROPOSED AMENDMENT**6.14 Payment Defaults**

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6.14.4 The *IMO* shall be authorised to borrow short-term funds to clear the credits in any settlement cycle only if the following conditions are met:

6.14.4.1 there are insufficient funds remitted into the *IMO settlement clearing account* to pay all *market creditors* due for payment from the funds in the *IMO settlement clearing account*, and clear the *IMO settlement clearing account* on a given *IMO payment date*, due to:

- a. payment default by one or more *market participants* in the *day-ahead energy forward market* or the *real-time markets*; or
- b. the circumstances referred to in section 4.19.2 or 4.19.6 of Chapter 8; ~~and~~

6.14.4.2 ~~[Intentionally left blank.]after taking the action described section 6.14.6, the IMO has no funds available to it in other accounts which it is permitted to transfer to the IMO settlement clearing account.~~

6.14.5 If the *IMO* borrows short-term funds pursuant to section 6.14.4, it shall recover this borrowing:

- 6.14.5.1 where the insufficient funds were due to a payment default referred to in section 6.14.4.1 (a) by taking all steps against the *defaulting market participant* as provided for in these *market rules* and as referred to in section 8.1.2.2 and then, if necessary, by imposing the *default levy* in accordance with section 8 of Chapter 2; or
- 6.14.5.2 where the insufficient funds were due to the circumstances referred to in section 6.14.4.1 (b), in the manner referred to in section 4.19.3 of Chapter 8 and then, if necessary, by recovering from *market participants*, on a pro-rata basis across all allocated quantities of *energy* withdrawn at all *RWMs* and *intertie metering points* during all intervals and *settlement hours* within that *energy market billing period*.
- 6.14.6 ... the *IMO* shall ~~borrow~~ transfer funds in accordance with section 6.14.4 ~~from the *IMO settlement reserve account* in order to clear the~~ ~~to the~~ *IMO settlement clearing account* ~~to clear it~~ no later than the *close of banking business* (of the bank at which the *IMO settlement clearing account* is held) on that *IMO payment date*.
- 6.14.7 If ~~there are insufficient funds in the *IMO settlement reserve account* to transfer to the *IMO settlement clearing account*, and~~ the *IMO* has exhausted credit availability contemplated by section 6.14.4, then the *IMO* shall pay *real-time market creditors* on a pro rata basis in proportion to the amounts owed to each *real-time market creditor*. Any amounts that remain owing to *real-time market creditors* shall bear interest at the *default interest rate* until paid.

PART 5 – IMO BOARD COMMENTS



Market Rule Amendment Proposal

PART 1 – MARKET RULE INFORMATION

Identification No.: MR-00224-R04	
Subject: Settlements and Billing	
Title: Replace Requirement for Settlement Reserve Account	
Nature of proposal (please indicate with X): ___Alteration___ Deletion ___Addition	
Chapter:9	Appendix:
Sections:6.15	
Sub-sections proposed for amending:6.15.7	

PART 2 – PROPOSAL HISTORY – PLEASE REFER TO MR-00224-R00

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PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

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- The proposed amendment, how the amendment addresses the above reason and impact of the proposed amendment on the *IMO-administered markets*.

Consequential to MR-00224-R00 there is a need to amend section 6.15.7 of Chapter 9. The reference to the IMO settlement reserve account needs to be deleted since this account would not exist. The obligation on the IMO to use late payments to replenish the settlement reserve account need to be changed to obligate the IMO to use late payments to repay any borrowings used to settle the market. For further information please refer to MR-00224-R00.

PART 4 – PROPOSED AMENDMENT**6.15 Payment Errors, Adjustments, and Interest**

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6.15.7 If the *IMO* ~~borrows funds in accordance with section 6.14.4~~~~debits the *IMO settlement reserve account on an *IMO* payment date*~~ because a payment due from a *market participant* was received too late to be credited to the *IMO settlement clearing account* by close of banking business (of the bank at which the *IMO settlement clearing account* is held) on the *market participant payment date* when such payment was due, then such remittance when it does arrive shall be used to repay the borrowed funds.~~credited to the *IMO settlement reserve account* to replenish the debited amount.~~ Any such late payments shall be charged the *Canadian prime interest rate* plus 2%.

PART 5 – IMO BOARD COMMENTS



Market Rule Amendment Proposal

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Identification No.: MR-00224-R05	
Subject: Settlements and Billing	
Title: Replace Requirement for Settlement Reserve Account	
Nature of proposal (please indicate with X): <input type="checkbox"/> Alteration <input type="checkbox"/> Deletion <input type="checkbox"/> Addition	
Chapter: 11	Appendix:
Sections:	
Sub-sections proposed for amending:	

PART 2 – PROPOSAL HISTORY – PLEASE REFER TO MR-00224-R00

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PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

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Consequential to MR-00224-R00 there is a need to delete the definition of IMO settlement reserve account from chapter 11 of the market rules. For further information please refer to MR-00224-R00.

PART 4 – PROPOSED AMENDMENT

~~1.1.1.1 *IMO settlement reserve account* means the *settlement account* operated by the *IMO* in which the *IMO* maintains reserve funds to protect against a short;~~

PART 5 – IMO BOARD COMMENTS