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Memorandum

To: Technical Panel
From: Jo Chung
Date: February 19, 2014
Re: MR-00407: General Conduct Rule

Attached for Technical Panel review are the following documents:

- Presentation: SE-112 Update - General Conduct Rule (IESOTP 276-4b);
- Amendment Proposal MR-00407-R00: General Conduct Rule (IESOTP 276-4c)
Note: This amendment proposal MR-00407-R00 will be updated and recirculated later this week with the draft rules language which would allow for an alternative governance structure that could apply to the general conduct rule.

The IESO Board of Directors has directed IESO Management, with input from stakeholders, to develop a market rule amendment that relates to the general conduct of market participants that is similar to equivalent provisions in other jurisdictions.

This amendment proposes to introduce a general conduct rule (GCR) to support the well-functioning of the IESO-administered markets.

Specifically, the amendments will:

- Require market participants and the IESO, to not directly or indirectly engage or attempt to engage in conduct, alone or with another person, that they know, or ought reasonably to know, exploits, circumvents, manipulates, undermines or interferes with the IESO-administered markets or the market rules; and
- Allow market participants or the IESO, whose conduct is entirely or predominately connected to the provisions of a procurement contract as defined in the *Electricity Act, 1998*, or a regulation or order of the Ontario Energy Board made in accordance with s. 78.1 of the *Ontario Energy Board Act, 1998*, to provide a legitimate business purpose defense for conduct that is alleged to have breached the proposed general conduct rule.

At its meeting on January 21, 2014, the Technical Panel determined that amendment submission MR-00407-Q00 warranted consideration and assigned a regular priority to developing the amendment proposal. Since that time, the IESO held another SE-112 session on February 14th to provide an update on the potential alternative approach that could apply to governance of the GCR, and to discuss the main themes from written stakeholder feedback and consultations.

All material related to the stakeholder engagement can be found on the IESO website at: <http://www.ieso.ca/Pages/Participate/Stakeholder-Engagement/SE-112.aspx>.

The SE-112 Update presentation will provide an update of stakeholder discussions to date.

Next Steps

The IESO would like to discuss next steps with the Technical Panel, including posting of the draft rule for stakeholder comment.

Yours truly,

Jo Chung

Attach.