




---



---

## Market Rule Amendment Proposal

---



---

### PART 1 – MARKET RULE INFORMATION

|                                     |  |                                   |  |
|-------------------------------------|--|-----------------------------------|--|
| Identification No.:                 | MR-00421   |                                   |  |
| Subject:                            | Settlement Accounts                                |                                   |  |
| Title:                              | Transmission Rights Clearing Account Disbursements |                                   |  |
| Nature of Proposal:                 | <input checked="" type="checkbox"/> Alteration     | <input type="checkbox"/> Deletion | <input checked="" type="checkbox"/> Addition |
| Chapter:                            | 9  | Appendix:                         |  |
| Sections:                           | 4.7  |                                   |  |
| Sub-sections proposed for amending: | 4.7.1, 4.7.2, 4.7.3 (new)                          |                                   |  |

### PART 2 – PROPOSAL HISTORY

| Version                              | Reason for Issuing  | Version Date    |
|--------------------------------------|---|-----------------|
| 1.0                                  | Draft for Technical Panel Review                                  | May 26, 2015    |
| 2.0                                  | Publish for Stakeholder Review and Comment                        | June 4, 2015    |
| 3.0                                  | Submitted for Technical Panel Vote                                | June 30, 2015   |
| 4.0                                  | Recommended by Technical Panel; Submitted for IESO Board Approval | July 7, 2015    |
| 5.0                                  | Approved by IESO Board  | August 26, 2015 |
|                                      |   |                 |
|                                      |   |                 |
| Approved Amendment Publication Date: | August 27, 2015   |                 |
| Approved Amendment Effective Date:   | September 18, 2015  |                 |

### PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

Provide a brief description of the following:

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

#### Summary

The IESO proposes to amend the market rules to allow the IESO Board to direct disbursements from the Transmission Rights Clearing Account (TRCA) to better match consumption patterns during the period in which the surplus in the account was accumulated.

#### Background

Disbursements of the surplus in the TRCA are subject to the methodology under Chapter 9, Section 4.7 of the market rules, which requires that a disbursement be allocated according to the consumption patterns in the monthly billing period immediately preceding the monthly billing period in which the disbursement is made. For example, if the Board directs disbursement of an amount from the TRCA and this is processed on a March physical market invoice, issued in April, the allocation is based on consumption during trade dates in March regardless of the time period over which the amount accumulated. This methodology does not effectively allocate the disbursement based on consumption patterns in the time period over which the surplus accumulated in the TRCA.

#### Discussion

Going forward, the IESO intends to evaluate the balance in the TRCA semi-annually and recommend that the IESO Board authorize disbursements for material surplus amounts in the account. The proposed changes will allow the IESO, upon Board approval, to calculate a market participant's share of the disbursement over a longer prior period, with the goal of better matching disbursements to the period in which the surplus in the account was accumulated. The number of successive months preceding the monthly billing period in which the disbursement is made is expected to be six months. For example, if the Board directs the disbursement of an amount from the TRCA on a June physical market invoice, issued in July, the disbursement could reflect consumption patterns during the six consecutive energy market billing periods for January to June.

**Section 4.7.1** – This section outlines that disbursements from the TRCA shall be distributed to market participants as a non-hourly settlement amount according to the allocated quantity of energy withdrawn by each market participant in the previous energy market billing period. The IESO proposes to amend this section such that the disbursement shall be based on the allocated quantity of energy withdrawn by each market participant in preceding energy market billing periods, as determined by the IESO Board. As mentioned above, the IESO intends to consider the previous six energy market billing periods.

**Section 4.7.2** – Consequential to the proposed changes in section 4.7.1, the definition for variables “M, K, T, and H” will be amended to specify that any disbursements will be allocated based on the energy market billing periods as determined by the IESO Board.

**Section 4.7.3** – This proposed new section provides for the scenario in which a market participant is entitled to a disbursement but has exited the market. If the IESO is unable to make the disbursement as specified in the market manual, the funds will remain in the TRCA and may be used for subsequent debits in accordance with section 4.18.1 of Chapter 8.

## PART 4 – PROPOSED AMENDMENT

## Chapter 8

---

**4.18 TR Clearing Account**

- 4.18.1 The *IESO* shall establish and maintain a *TR clearing account* and shall:
- 4.18.1.1 credit to the *TR clearing account*, in respect of each *settlement hour*, the net congestion rents calculated in accordance with section 3.6.2 of Chapter 9;
  - 4.18.1.1A credit to the *TR clearing account* the amounts referred to in sections 4.20.1A and 4.20.1B;
  - 4.18.1.2 subject to section 4.19.7, credit to the *TR clearing account* the net revenues received from the sale of *transmission rights* in a *TR auction* in accordance with section 4.19.4;
  - 4.18.1.3 debit from the *TR clearing account* any amounts required to be paid to *TR holders* pursuant to section 4.4.1;
  - 4.18.1.4 debit from the *TR clearing account* any amounts required to be paid to successful *TR offerors* pursuant to section 4.19.6;
  - 4.18.1.5 debit from the *TR clearing account* any amounts authorized to be debited and used to offset *transmission services charges* in accordance with section 4.18.2; and
  - 4.18.1.6 credit to the *TR clearing account* any transmission rights settlement credits adjusted under section 6.6.10A.2 of Chapter 3.
- 4.18.2 Subject to section 4.18.3, the *IESO Board* may, at such times as it determines appropriate, authorize the debit of funds from the *TR clearing account* for the purpose of using those funds to offset the *transmission services charges* referred to in section 3.6.3 of Chapter 9.
- 4.18.3 The *IESO Board* shall establish a reserve threshold for the *TR clearing account*.
-

## Chapter 9

---

### 4.7 TR Clearing Account Disbursements

4.7.1 Disbursements from the *TR clearing account* ordered by the *IESO Board* pursuant to section 4.18.2 of Chapter 8 shall be distributed to each *market participant* ‘k’ as a non-hourly *settlement amount* according to its allocated quantity of energy withdrawn at all *RWMs* and *intertie metering points* during ~~the energy market billing periods~~ immediately preceding the current *energy market billing period*, as determined by the *IESO Board*, in the manner described in sections 4.7.2 and 4.7.3.

4.7.2 The portion of any disbursement from the *TR clearing account* payable to *market participant* ‘k’ in the current *energy market billing period* shall be calculated as follows:

$$TRCAC_k = \frac{TRCAD}{\sum_{K,H}^{M,T} AQEW_{k,h}^{m,t}} \times \sum_H^{M,T} AQEW_{k,h}^{m,t}$$

Where:

$TRCAC_k$  = the *TR clearing account* credit payable to *market participant* ‘k’ in the current *energy market billing period*

$TRCAD$  = the total dollar value of all disbursements from the *TR clearing account* authorised by the *IESO Board* in the current *energy market billing period*

$M$  = the set of all *RWMs*  $m$  and *intertie metering points* ‘ $m$ ’ during ~~the energy market billing periods~~ immediately preceding the current *energy market billing period*, as determined by the *IESO Board*

$K$  = the set of all *market participants* ‘k’ during ~~the energy market billing periods~~ immediately preceding the current *energy market billing period*, as determined by the *IESO Board*

$T$  = the set of all *metering intervals*  $t$  in ~~the energy market billing periods~~ immediately preceding the current *energy market billing period*, as determined by the *IESO Board*

$H$  = the set of all *settlement hours* ‘h’ in ~~the energy market billing periods~~ immediately preceding the current *energy market billing period*, as determined by the *IESO Board*

4.7.3 Where a *TRCAC<sub>k</sub>* is payable to a former *market participant*, the *IESO* will endeavour to distribute the *TRCAC<sub>k</sub>* as specified in the applicable *market manual*. If the *IESO* cannot distribute a *TRCAC<sub>k</sub>* to a former *market participant* as specified in the applicable *market manual*, such amounts shall remain in the *TR clearing account* for subsequent debits in accordance with section 4.18.1 of Chapter 8.

## **PART 5 – IESO BOARD DECISION RATIONALE**

The amendment will allow for a better allocation of disbursements from the TRCA to consumers (Ontario customers and exporters) who were subject to transmission service charges during the period in which the surplus in the TRCA was accumulated.