

Market Rule Amendment Proposal Form

Part 1 - Market Rule Information

Identification No.:	MR-00450-R00
Subject:	Market Renewal Program: Participant Authorization
Title:	Participant Authorization
Nature of Proposal:	<input checked="" type="checkbox"/> Alteration <input checked="" type="checkbox"/> Deletion <input checked="" type="checkbox"/> Addition
Chapter:	2
Appendix:	
Sections:	1.2, 2, 3
Sub-sections proposed for amending:	1.2.2.2, 1.2.2.6, 1.2.2.7 (new), 1.2.4 (new), 2.1.1, 2.1.1.7, 2.1.1.14 (new), 2.1.1.15 (new), 3.1.2.2

Part 2 - Proposal History

Version	Reason for Issuing	Version Date
1.0	Draft for Stakeholder Review	October 13, 2020
2.0	Draft for Technical Panel Review	March 9, 2021
3.0	Publish for Stakeholder Review and Comment	March 25, 2021
4.0	Submitted for Technical Panel Provisional Vote	April 13, 2021
5.0	Provisionally recommended by Technical Panel; submitted for IESO Board Review	April 20, 2021

Approved Amendment Publication Date:

Approved Amendment Effective 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 *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 incorporate participation in the day-ahead markets within the participant authorization requirements. The proposed rule amendments:

1. Specify that a person who is authorized by the IESO to conduct physical transactions will be authorized to participate in both the real-time market and the day-ahead market;
2. Delete references to the market participant class "financial market participants" and replace with new market participant classes for "TR participants" and "virtual traders";
3. Obligate energy traders and virtual traders to disclose all market control entities as part of the authorization process; and
4. Include virtual traders to the list of market participant classes exempt from the Harmonized Sales Tax (HST).

This proposal is based on input from various stakeholder engagement initiatives for the Market Renewal Program (MRP). Further information on MRP can be found on the [IESO's Market Renewal website](#).

Background

In its mission to enhance the efficiency of Ontario's electricity markets, the IESO initiated the MRP with the following three initiatives for the energy work stream:

- Replace the two-schedule market with a single schedule market (SSM) to address current misalignments between price and dispatch and to better reflect the true cost of dispatching resources.
- Introduce a day-ahead market (DAM) to provide greater operational certainty to the IESO and greater financial certainty to market participants, ensuring more efficient scheduling of resources to meet anticipated system needs.
- Reduce the cost of scheduling resources to meet demand as it changes from the day-ahead to real-time through the enhanced real-time unit commitment (ERUC) initiative.

This redesign will address inefficiencies in the current market, implement best practices that have emerged over the past decade and prepare the IESO to more effectively manage future change. In the end, MRP will deliver a more efficient, stable marketplace with competitive and transparent mechanisms that meet Ontario's electricity needs at the lowest cost possible.

Discussion

Persons participating in the day-ahead market will need to be authorized to do so by meeting the same participant authorization requirements that exist today for participation in the real-time market. Namely, the person must:

- Meet applicable licensing, legal, technical and prudential support requirements;
- Execute the participation agreement thereby agreeing to be bound by the market rules.

The following amendments to the existing market rules regarding participant authorization are proposed:

1. Authorized to participate in both the real-time market and day-ahead market

- Amend section 1.2.2.2 to simplify the provision related to the prudential support requirements by specifying that a person must satisfy the applicable prudential support requirements and any other financial requirements set forth in the market rules;
- Add section 1.2.4 (new) to specify that a person who is authorized by the IESO to conduct physical transactions will be authorized to participate in both the real-time market and the day-ahead market. Existing market participants already authorized to participate in the real-time market will be automatically authorized to participate in physical transactions in the day-ahead market.

2. Delete references to “financial market participants” and replace with “TR participants” and virtual traders:

- Amendments to sections 2.1.1.7, 2.1.1.13 and 2.1.1.14 of Chapter 2 are a consequence of the deletion of the financial market participant class of market participant, and the addition of the virtual trader and TR participant classes respectively. The current definition of financial market participant means a person that participates only in the TR market. The definition for financial market participant was determined to be unnecessary, and creating a class for TR participants (an existing Chapter 11 defined term) is more intuitive. In addition, a new class for virtual traders, who are market participants authorized to conduct virtual transactions in the day-ahead market, has been created. Please see MR-00461-R00: Batch 1 Definitions for further information.

3. Obligate disclosure of market control entities

- Add section 1.2.2.7 (new) to obligate energy traders and virtual traders to disclose all market control entities as part of the authorization process. A defined term for market control entities will be introduced as part of the Market Power Mitigation batch of market rule amendments.

4. Include virtual traders to the Harmonized Sales Tax exemption

- Amend section 1.2.2.6 to replace the reference to financial market participants with TR participants who will continue to be exempt from the harmonized sales tax (HST), and add virtual traders who will also be exempt from HST. As a matter of clean-up, add capacity auction participant to the list of market participant classes exempt from HST - capacity auction participants were correctly added to the related HST exemption clause in section 3.1.2.2 of the market rules but erroneously omitted from section 1.2.2.6.

Part 4 - Proposed Amendment

Chapter 2

1.2 Participation

- 1.2.0 A person who has been issued a *licence* by the *OEB* pursuant to Part V of the *Ontario Energy Board, 1998*, is subject to all *market rules* relating to the activities authorized by such *licence* and all other applicable *market rules*.
- 1.2.1 No person shall participate in the *IESO-administered markets* or cause or permit electricity to be conveyed into, through or out of the *IESO-controlled grid* unless that person has been authorized by the *IESO* to do so pursuant to this Chapter, provided however that this section 1.2.1 shall not apply to require any authorization in respect of physical loop flows inadvertently arising as a result of transactions between entities located outside the *IESO control area*.
- 1.2.2 No person shall be authorized by the *IESO* to participate in the *IESO-administered markets* or to cause or permit electricity to be conveyed into, through or out of the *IESO-controlled grid* unless the *IESO* is satisfied:
- 1.2.2.1 on the basis of the certification, tests, and inspections referred to in section 6.2, that the person satisfies the technical requirements referred to in that section applicable to all *market participants*;
 - 1.2.2.2 that the person, if it applies to participate in the *IESO-administered markets/real-time markets*, will either satisfy the *applicable prudential support requirements of Appendix 2.3* and any other financial requirements set forth in the *market rules, applicable to all market participants and the IESO-administered market in which the person wishes to participate, or in the case of a capacity market participant, satisfy the capacity prudential support requirements in section 5B*;
 - 1.2.2.3 that the person agrees to be bound by these *market rules* by executing the *participation agreement*;
 - 1.2.2.4 that the person holds a *licence* permitting the person to engage in one or more of the activities described in section 57 of the *Ontario Energy Board Act, 1998*, unless:
 - a. the person is exempt by regulation enacted pursuant to the *Ontario Energy Board Act, 1998* from the obligation to hold such a *licence*; or
 - b. the person is not engaging in an activity for which the person requires a *licence* pursuant to section 57 of the *Ontario Energy Board Act, 1998*; and

- 1.2.2.5 [Intentionally left blank – section deleted]
- 1.2.2.6 on the basis of the documentation referred to in section 3.1.2.2, that the person, if it applies for authorization as a *market participant* other than for authorization to participate solely as a *financial market*, one or a combination of (i) a *virtual trader*; (ii) a *TR participant*; or (iii) a *capacity auction participant*:
- a. is registered for the federal harmonized value-added tax system under Part IX of the *Excise Tax Act* (Canada); or
 - b. is resident in Canada and is, by virtue of *applicable law*, not liable to pay the federal harmonized value-added tax imposed under Part IX of the *Excise Tax Act* (Canada).
- 1.2.2.7 that the person, if it applies for authorization to participate solely as one or a combination of:
- a. *an energy trader, or*
 - b. *a virtual trader*
- has disclosed to the *IESO*, all *market control entities* of the person.

1.2.2A [Intentionally left blank – section deleted]

1.2.3 A person who has been authorized by the *IESO* to participate in the *IESO-administered markets* or to cause or permit electricity to be conveyed into, through or out of the *IESO-controlled grid* may participate in the market or trading activities to which the authorization to participate relates.

1.2.4 A person who is authorized by the *IESO* to conduct *physical transactions* under this section 1.2, shall be authorized to participate in the *real-time market* and the *day-ahead market*.

2. Classes of Market Participants

2.1.1 ~~The following classes of A~~ persons may apply for authorization to participate as one or more of the following classes of *market participants* in the *IESO-administered markets* or to cause or permit electricity to be conveyed into, through or out of the *IESO-controlled grid*:

- 2.1.1.1 *generators*;
- 2.1.1.2 *distributors*;
- 2.1.1.3 *wholesale sellers*;
- 2.1.1.4 *wholesale consumers*;

- 2.1.1.5 *retailers;*
- 2.1.1.6 *transmitters;*
- 2.1.1.7 [Intentionally left blank – section deleted] ~~*financial market participants;*~~
- 2.1.1.8 [Intentionally left blank – section deleted]
- 2.1.1.9 [Intentionally left blank – section deleted]
- 2.1.1.10 [Intentionally left blank – section deleted]
- 2.1.1.11 *capacity market participants;*
- 2.1.1.12 *capacity auction participants;*
- 2.1.1.13 *electricity storage participants;*
- 2.1.1.14 *virtual traders; and*
- 2.1.1.15 *TR participants.*

3. Application for Authorization

- 3.1.1 A person who wishes to be authorized by the *IESO* to participate in the *IESO-administered markets* or to cause or permit electricity to be conveyed into, through or out of the *IESO-controlled grid* must file a completed *application for authorization to participate*.
- 3.1.2 The *application for authorization to participate* shall be accompanied by:
 - 3.1.2.1 the non-refundable application fee established from time to time by the *IESO* to defray the costs of processing the application; and
 - 3.1.2.2 unless the *application for authorization to participate* is submitted in respect of an applicant that is applying for authorization to participate in the *IESO-administered markets* solely as a *financial market one or a combination of (i) a virtual trader, (ii) a TR participant,* or (iii) a capacity auction participant, either:
 - a. the federal harmonized value-added tax system registration number issued to the applicant by the Canada Customs and Revenue Agency; or
 - b. where the applicant is resident in Canada and is, by virtue of *applicable law*, not liable to pay the federal harmonized value-added tax under Part IX of the *Excise Tax Act* (Canada), such documentation as may be prescribed in the *Excise Tax Act* (Canada) or described in the policies of the Canada Customs and Revenue Agency to support the exemption from such liability to pay.

- 3.1.3 The *IESO* shall, within ten *business days* of receiving an *application for authorization to participate* or within such longer period of time as may be agreed between the *IESO* and the applicant, advise the applicant of any further information or clarification which is required in support of its application if, in the *IESO's* opinion, the application is:
- 3.1.3.1 incomplete; or
 - 3.1.3.2 contains information with respect to which the *IESO* requires clarification.
- 3.1.4 If the further information or clarification which is requested by the *IESO* pursuant to section 3.1.3 is not provided to the *IESO's* satisfaction within fifteen *business days* of the request or within such longer period of time as may be agreed between the *IESO* and the applicant, the applicant will be deemed to have withdrawn the *application for authorization to participate*.
- 3.1.5 The *IESO* shall, within twenty *business days* of receipt of the *application for authorization to participate* or of the further information or clarification requested under section 3.1.3, whichever is the later, or within such longer period of time as may be agreed between the *IESO* and the applicant, by order authorize the applicant to participate in the *IESO-administered markets* or to cause or permit electricity to be conveyed into, through or out of the *IESO-controlled grid*, on such terms and conditions as the *IESO* considers appropriate, if:
- 3.1.5.1 the *IESO* is satisfied that the applicant meets the requirements set out in section 1.2.2; and
 - 3.1.5.2 the applicant has filed with the *IESO* an executed *participant agreement*, in such form as shall be established by the *IESO*, pursuant to which the applicant agrees to be bound by and comply with the *market rules*, provides the certification referred to in section 6.2.1 and certifies that it has adequate qualified employees or other personnel and organizational and other arrangements that are sufficient to enable the applicant to perform all of the functions and obligations applicable to *market participants*, the class of *market participant* of which the applicant forms part and the *IESO-administered market* in which the applicant wishes to participate.
- 3.1.5A [Intentionally left blank – section deleted]
- 3.1.5B [Intentionally left blank – section deleted]
- 3.1.5B.1 [Intentionally left blank – section deleted]
 - 3.1.5B.2 [Intentionally left blank – section deleted]
- 3.1.5C [Intentionally left blank – section deleted]
- 3.1.5C.1 [Intentionally left blank – section deleted]
 - 3.1.5C.2 [Intentionally left blank – section deleted]

- 3.1.6 Subject to section 4.1.1, if the *IESO* is not satisfied that an applicant meets the requirements set out in section 1.2.2 the *IESO* shall, within twenty *business days* of receipt of the *application for authorization to participate* or of the further information or clarification requested under section 3.1.3, whichever is the later, or within such longer period of time as may be agreed between the *IESO* and the applicant, by order deny the applicant authorization to participate in the *IESO-administered markets* or to cause or permit electricity to be conveyed into, through or out of the *IESO-controlled grid*.
- 3.1.7 A person who wishes to dispute an order of the *IESO* made pursuant to section 3.1.5, 3.1.6, or 4.1.1 shall follow the dispute resolution procedures set forth in section 2 of Chapter 3.
- 3.1.8 An applicant or *market participant* shall forthwith advise the *IESO* of any circumstances which result or are likely to result in a change in the information provided in the *application for authorization to participate* or in any updates thereto.
- 3.1.9 [Intentionally left blank – section deleted]
- 3.1.10 The *IESO* shall establish, maintain, update and *publish*:
- 3.1.10.1 a list of all *market participants* and a list of all applications for authorization to participate filed with the *IESO*;
 - 3.1.10.2 a list of all *market participants* that will cease to be *market participants* and the time that each listed *market participant* will cease to be a *market participant*;
 - 3.1.10.3 a list of all *market participants* that are the subject of a *suspension order* or a *termination order* and the time at which the rights of each listed *market participant* was suspended or terminated; and
 - 3.1.10.4 a list of all *market participants* that are the subject of an order referred to in section 6.5.1 of Chapter 3, and the time at which such order became effective in respect of each listed *market participant*.