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# Guide to Prudentials at the IESO

IESO Training

[May-April 2025-2017 \(effective May 2025\)](#)



## Guide to Prudentials at the IESO

### ~~AN IESO MARKETPLACE TRAINING PUBLICATION~~

~~This guide has been prepared to assist in the IESO training of market participants and has been compiled from extracts from the market rules or documents posted on the web site of Ontario's Independent Electricity System Operator. Users of this guide are reminded that they remain responsible for complying with all of their obligations under the market rules and associated policies, standards and procedures relating to the subject matter of this guide, even if such obligations are not specifically referred to herein. While every effort has been made to ensure the provisions of this guide are accurate and up to date, users must be aware that the specific provisions of the market rules or particular document shall govern.~~

### AN IESO MARKETPLACE TRAINING PUBLICATION

This training publication has been prepared by the IESO as a training aid for market participants. The content of this publication is presented for illustrative purposes and is not intended to represent actual market participant data or market outcomes. Users of this training publication are reminded that they remain responsible for complying with all of their obligations under the market rules and associated policies, standards and procedures relating to the subject matter of this training publication, even if such obligations are not specifically referred to herein. While every effort has been made to ensure that any extracts from the market rules or other documents in this training publication are accurate, users must be aware that the specific provisions of the market rules or particular document posted on the web site of Ontario's Independent Electricity System Operator shall govern.

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# Table of Contents

Guide to Prudentials at the IESO.....	<u>23</u>
<b>Table of Contents.....</b>	<b><u>45</u></b>
<b>Table of Figures .....</b>	<b><u>67</u></b>
1 Introduction .....	1
1.1 Why do we require Prudential Support?.....	2
1.2 Do all Market Participants have to provide Prudential Support?.....	3
1.3 How much Prudential Support are you required to provide? .....	3
1.4 How do we monitor your activity so you always have enough Prudential Support posted?3	
1.5 How do you monitor your prudential information? .....	4
2 Determining the Amount of Your Prudential Support .....	5
2.1 Determining Prudential Support for Physical Transactions .....	<u>65</u>
2.2 Determining Prudential Support for Virtual Transactions .....	<u>3019</u>
3 Posting Your Prudential Support.....	<u>3624</u>
3.1 Acceptable Types of Collateral .....	<u>3624</u>
4 Reductions in Your Prudential Support Obligations .....	<u>3826</u>
4.1 Reductions in Your Prudential Support Obligations for Physical Transactions .....	<u>3826</u>
4.2 Reductions in Your Prudential Support Obligations for Virtual Transactions.....	<u>4331</u>
5 Maintaining Your Prudential Support.....	<u>4532</u>
5.1 IESO Review .....	<u>4532</u>
5.2 Other Circumstances that could change your Prudential Support Obligation.....	<u>4632</u>
6 Calculating Your Actual Exposure .....	<u>4734</u>
6.1 Global Adjustment .....	<u>4935</u>
7 Margin Calls .....	<u>5136</u>
7.1 Margin Warning.....	<u>5136</u>
7.2 Margin Call.....	<u>5136</u>
8 Market Participant Default and the Default Levy .....	<u>5237</u>
8.1 Default Levy.....	<u>5237</u>
9 Summary of Your Steps.....	<u>5338</u>
Appendix A. – Accessing Prudential Information using Prudential Manager .....	<u>5839</u>
Appendix A.1 Logging In.....	<u>5839</u>
Appendix A.2 Access the Prudentials community and Prudential Manager .....	<u>6140</u>
Appendix A.3 Prudential Manager Features.....	<u>6443</u>
Appendix A.4 Submit a Notification of Prepayment.....	<u>6947</u>



## Table of Contents

Appendix A.5 Log Off .....	<u>7350</u>
Appendix B. - Additional Information .....	<u>7451</u>

# Table of Figures

Example 1: Minimum Trading Limit for a Market Participant exporting (purchasing) as an Energy Trader .....	<del>1511</del>
Example 2: Minimum Trading Limit for a Consumer with Class A and B Non-Dispatchable Load (50 MW Peak) .....	<del>1612</del>
Example 3: Minimum Trading Limit for a Market Participant with a Single Generator .....	<del>1813</del>
Example 4: Default Protection Amount for a Consumer with Class A and B Non-Dispatchable Load (50 MW Peak) .....	<del>2114</del>
Example 5: Default Protection Amount for a Market Participant with a Single Generator .....	<del>2416</del>
Example 6: Minimum Trading Limit for a Virtual Trader .....	<del>3321</del>
Example 7: Default Protection Amount for a Virtual Trader .....	<del>3422</del>
Example 8: Prudential Support Obligation for a Market Participant that is not a -Distributor (with credit rating reduction) .....	<del>3927</del>
Example 9: Prudential Support Obligation for a Market Participant that is not a Distributor (with reduction for 3.5 years good payment history) .....	<del>4129</del>
Example 10: Prudential Support Obligation for a Virtual Trader (with Market Creditor Status Reduction eligibility) .....	<del>4331</del>

# 1 Introduction

**Note to Readers:** This Guide provides updates and revisions regarding the IESO’s Prudentials framework, which will only be in effect once the Ontario market undergoes market renewal (targeted for May 1, 2025). Up until that occurs, Market Participants should refer to the legacy market version of this Guide, for applicable requirements related to the Prudentials framework. You are now reading one of two “renewed market” versions of this document that IESO has created to assist Market Participants with the transition – a “red-line” version which indicates all of the material changes to the existing text that have been approved, and a “clean” version which shows the updated requirements once market renewal occurs. Minor editorial corrections have not been highlighted in the red-line document. Key changes here include new text on Virtual Transactions (Sections 1.3, 2.2, 4.2); a new sequence of the prudentials material for Non-Dispatchable Loads and separately for all other resources, and for margin calls; adjustments to the underlying price basis for Prudentials; updated or additional examples; and removal of physical bilateral contracts as well as one Appendix. **Also note that Appendix A has now been updated with revised screenshots and text to reflect the renewed market version of Prudential Manager not yet finished revisions and will be updated by IESO in the coming months.**

If you<sup>1</sup> participate, or intend to participate, in the IESO real-time markets for physical or virtual transactions, you must provide collateral (called ‘Prudential Support’) to cover funds that might be owed to the market if your company were unable to make a payment.

This Guide explains:

- Why we require prudential support
- How the prudential support amount is determined
- What type of collateral is acceptable
- When and why your prudential support amount might be reassessed
- What happens if you don’t maintain your Prudential Support Obligation
- Accessing prudential information through Prudential Manager

<sup>1</sup> In this document, ‘you’ refers to the Market Participant. ‘We’, ‘us’, and ‘our’ refer to the IESO.

Additional information on Prudential Support Obligations for Market Participants can be found in the documents listed in Appendix B.

## 1.1 Why do we require Prudential Support?

In the real-time electricity markets, there is no way to recover the physical commodity if the buyer is unable to pay – the electricity has already been consumed.

Under the market rules, we (the IESO) must pay energy suppliers within 4 business days of when we issue invoices. Buyers must pay us within 2 business days of when we issue their invoice so that we can then remit funds owed to suppliers.

If a buyer does not make the required payment, we do not assume the debt – instead, all non-defaulting Market Participants assume any default. The prudential support process ensures that we have a reasonable amount of collateral on hand to cover potential default situations. The process provides a reasonable degree of protection to non-defaulting participants from the risk of having to cover a defaulted payment.

## 1.2 Do all Market Participants have to provide Prudential Support?

Prudential requirements are based on your activities in the market – the requirements are not the same for all Market Participants. In some cases, your Prudential Support Obligation may be zero – for example, if you supply energy to the market and are a net creditor in the market. During the market entry process, you will be informed if you initially need to provide prudential support. However, this obligation can change if your activity in the market changes.

Prudential requirements are determined differently and independently for activities related to physical and virtual transactions. Therefore, if you are authorized to conduct both physical and virtual transactions, you will have two separate Prudential Support Obligations.

## 1.3 How much Prudential Support are you required to provide?

Prudential support requirements are contingent on many factors, including the transactions you are authorized to conduct.

If you conduct physical transactions, the location of your internal resources along with the resource types may impact your Prudential Support Obligation for physical transactions. If you are authorized as an energy trader, your Prudential Support Obligation for physical transactions will be impacted by recent invoice amounts. Some sections of this Guide describe the impact to prudential requirements depending on the type of resources in your portfolio (Non-Dispatchable Loads (NDLs), vs all other Market Participants). In particular, the underlying energy price basis will be determined based on Locational Marginal Prices, or Ontario Zonal Pricing, depending on your resource types, and which price you will typically settle on. Furthermore, price responsive loads, in a prudentials context, are treated similarly to all other resources that are not a Non-Dispatchable Load.

This Guide also describes the prudential requirements if you conduct virtual transactions. Thus, many sections throughout the Guide have been split to demonstrate different market rules and calculations applicable to physical transactions vs virtual transactions. Participants will provide prudential support for either or both of these, where applicable.

Where the text provides references to “energy traders” vs. “not energy traders”, the energy traders group may include both intertie traders (physical transactions) and/or virtual traders (virtual transactions), depending on if the topic relates to one or both of those transaction types.

## ~~1.3~~ 1.4 How do we monitor your activity so you always have enough Prudential Support posted?

We assess your actual exposure for physical and virtual transactions against your trading limit and issue margin call warnings and margin calls as required. (See Section ~~87~~.)

In addition, if you have a good payment history, or are receiving a credit rating reduction, or good

~~payment history reduction, or a market creditor reduction, then~~ changes to either your credit rating, ~~or good payment history, or your market creditor status~~ may trigger changes to your prudential requirement.

### ~~1.41.5~~ How do you monitor your prudential information?

To facilitate access to prudential support information, the IESO offers the Prudential Manager (See Appendix BA). This is available to all Prudential Requirements Contacts registered with the IESO. A secure login is provided to contacts for the IESO ~~GatewayPortal~~ Prudentials community (A ~~GatewayPortal~~ community page is a web page where users with similar interests can access applications, use related links, and get information.)

User accounts for the Production environment must be requested by a Rights Administrator registered with us through the online registration system at <https://online.ieso.ca>.

User accounts for the Sandbox environment (for testing and training) must be requested by a Rights Administrator registered with us through the sandbox online registration system at <https://onlinesandbox.ieso.ca>.

For assistance, contact IESO Customer Relations.

### ~~1.5~~ Where can you find additional information about prudentials?

~~If, after reading this guide, you need additional information about your prudential support, please refer to:~~

- ~~• Market Rules, Chapter 2~~
- ~~• Market Manual 5.4~~
- ~~• Prudentials Online: <http://www.ieso.ca/Online-IESO>~~
- ~~• Your account manager at the IESO~~

## 2 Determining the Amount of Your Prudential Support

~~During the market entry process~~During the authorization process for a new type of market participation, we ask you (the Market Participant) to provide information to us (the IESO) about your expected trading activity ~~in the real-time associated with conducting physical transactions or virtual transactions markets in the day-ahead and real-time markets~~. You are required to submit this information through Online IESO <https://gateway.ieso.ca/> ~~<https://online.ieso.ca/>~~.

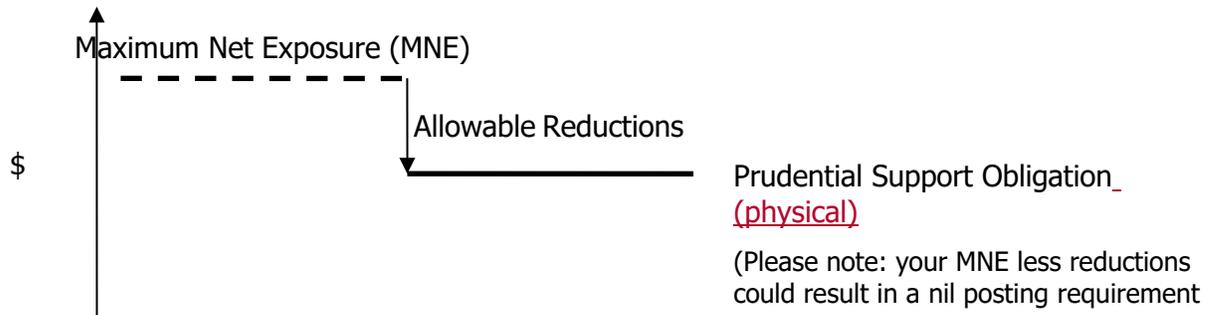
A Prudential Support Obligation will be determined separately for physical transactions and virtual transactions, informed by all activity in the day-ahead and real-time timeframes. A Market Participant that is authorized for both types of transactions will have two separate Prudential Support Obligations. This Guide will discuss the process associated with physical transactions and virtual transactions separately.

You should have enough prudential support posted so that if your company were unable to make a payment, there would be enough collateral to cover any funds owing to the market, subject to any reductions in your prudential calculation. We use the information you provide to determine your prudential support obligation.

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## 2.1 Determining Prudential Support for Physical Transactions

Your prudential support obligation for physical transactions, which is a function of your Maximum Net Exposure and less any allowable reductions:



Both your Maximum Net Exposure and allowable reductions depend on whether or not you have selected the 'margin call option' or if eligible, the 'no margin call option', when submitting your prudential information in Online IESO (<https://gateway.ieso.ca/https://online.ieso.ca>).

Both your maximum net exposure and allowable reductions depend on whether or not you have chosen the "no margin call option". Also, your role and use of physical bilateral contracts in the market affect your prudential support obligation.

### Determining Prudential Support using the Margin Call Option

The "margin call option" is the one way that we calculate your prudential support obligation; If you do not want to use this method, then you must select the "no margin call option" when entering your prudential information through Online IESO (<https://online.ieso.ca>), refer to Section 7 for more details on that option if you want us to use that method.

To determine your Prudential Support Obligation for physical transactions using the margin call option, we consider your:

- Maximum Net Exposure, which is the summation of your:
  - trading limit
  - default protection amount
  - any allowable reductions

- ~~Self-assessed trading limit~~
- ~~Minimum trading limit~~
- ~~Default protection amount~~
- ~~Credit information~~
- ~~Payment history~~

Note that the 'Maximum Net Exposure (MNE) for physical transactions' section below, and the illustrative examples provided, reflect the 'margin call option' outcomes. The 'no margin call option' is described later in Section 2.1.

### **Maximum Net Exposure (MNE) for Physical Transactions**

Your Maximum Net Exposure is our estimate of the net amount you could owe ~~in the real-time markets~~ while conducting physical transactions.

We estimate your Maximum Net Exposure for physical transactions based on the information you provide through Online IESO (<https://gateway.ieso.ca>/<https://online.ieso.ca>). We look at:

- Your expected daily maximum and annual energy injections and withdrawals
- For ~~metered~~-participants conducting physical transactions that are not energy traders: your estimated peak load for upcoming billing periods
- For participants conducting physical transactions that are non-metered participants energy traders: your expected net settlement amount
- Your self-assessed trading limit

We calculate your Maximum Net Exposure by adding your trading limit and your default protection amount ~~(see page 9)~~.

If your Maximum Net Exposure is zero or negative, you do not need to provide any prudential support.

### **Determining your trading limit for Physical Transactions**

You submit your own estimate of what your trading limit for physical transactions should be in Online IESO (<https://gateway.ieso.ca>/<https://online.ieso.ca>) based on anticipated injection and withdrawals. We will use this input along with the applicable energy price basis, estimated global adjustment charges, and transmission and other charges to determine a minimum trading limit for you that is equivalent to a default value of 7 days' market activity under the 'margin call option'.

~~You set your own estimate of what your trading limit within the real-time markets should be, and the IESO also determines a minimum trading limit for you that is equivalent to approximately 7 days of market activity. The minimum trading limit provides you the lowest possible trading limit you are allowed under the market rules.~~

If your self-assessed trading limit is higher than the IESO-determined limit, we use your self-assessed trading limit as your trading limit.

Your trading limit serves as a warning of potential over-exposure in the real-time markets. If your actual exposure reaches or exceeds your trading limit, we will issue you a margin call ~~if you have not opted to use the no margin call option (see Section 8).~~

You may decide which assumptions to use in estimating your trading limit – we recommend that you try to reflect your expected exposure in the real-time markets for the upcoming billing period. If you do not wish to receive margin call demands, then it's best if you set the limit so that your actual exposure would not reach your trading limit before you make your next invoice payment. You must submit your self-assessed trading limit at least 7 days ahead of the billing period you want it to apply to. This limit will apply to all future billing periods unless it is changed.

### **Determining your self-assessed trading limit for Physical Transactions**

You should consider:

- What is your current, estimated actual exposure?
- ~~What additional real-time market physical transactions charges do you expect to incur by the time you make your next payment to us?~~
- ~~Do you have any physical bilateral contracts (see Section 5)?~~

**If you are an energy trader, your self-assessed trading limit can be selected as any percentage greater than 25% of your estimated net settlement amount for the upcoming billing period – in other words, 25% of the 'amount owing' that you expect to see on your invoice. There is a minimum self-assessed trading limit of \$50,000 split evenly between your trading limit and default protection amount, if you are an energy trader that has not conducted physical transactions for at least three previous billing periods.**

To decrease the likelihood of receiving frequent margin calls, we suggest using 100% and 49 days in your calculation – this takes into account our 30-day billing period, 15-day invoicing

period, 2-day remittance period, and our 2-day review period.

**If you are not an energy trader,** For metered market participants: ~~At Online IESO~~ (<https://online.ieso.ca>) you can either enter the number of days for your self-assessed trading limit or a dollar amount at Online IESO (<https://gateway.ieso.ca>/<https://online.ieso.ca>). You can use the following formula to determine the dollar amount of your self-assessed trading limit under the 'margin-call option' (see explanations below):

Energy Exposure, for all Non-Dispatchable Load (NDL) resources:

Your daily estimated aggregate **net NDL withdrawals** for physical transactions in megawatt hours (MWh)  
**X** applicable NDL **energy price basis**  
**X** number of **billing days** (range from 7-49 days)

+

Energy Exposure, for each resource that is not an NDL (includes price responsive loads):

Your daily estimated **net resource withdrawals** for physical transactions from the grid in megawatt hours (MWh)  
**X** applicable resource-specific **energy price basis**  
~~+ transmission charges~~ **X** number of **billing days** (range from 7-49 days)

+ **Global Adjustment Estimated Charges**

+ **Transmission and Other Charges**

**= Self-Assessed Trading Limit**

Explanation of formula items:

Energy Price Basis

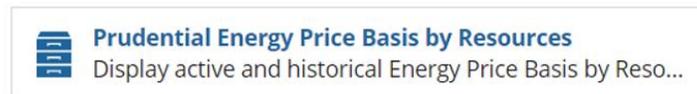
Price estimates <sup>2</sup> are in dollars per megawatt hour (\$/MWh)

102.10 <sup>3</sup>	Energy (estimated price)
7.00	Debt Reduction Charge
2.10	Rural or Remote Electricity Rate Protection

1.1636	IESO Fee
<u>-4.20</u>	Uplift and Ancillary
116.56	
<u>X 1.13</u>	Applicable Taxes (i.e. HST)
131.71	

Energy Price Basis values are in dollars per megawatt hour (\$/MWh). A single NDL-specific energy price basis is determined and applicable to aggregate net withdrawals for all NDL resources in your portfolio, in the form of the Ontario Zonal Price. For all other Market Participant resources, an energy price basis value will be determined separately for each resource that is not a Non-Dispatchable Load based on day-ahead and real-time market historical pricing outcomes over the most recent three-year period, in the form of a Locational Marginal Price. For wholesale consumers with load resources where the most recent three-year period involves a combination of both NDL and non-NDL (i.e., all other participation types) statuses for that resource, then we will use the latest status to determine the energy price basis for that resource.

The most recent energy price basis estimates are available by clicking on the tile shown in image below, under the Records menu of Online IESO.



Billing days

We encourage you to use 49 days in your calculation – this takes into account our 30-day billing period, 15-day invoicing period, 2-day remittance period, and our 2-day review period.

Global Adjustment Estimated Charges

Total Global Adjustment (GA) charges are determined differently for your 'Class A' withdrawals and 'Class B' withdrawals from the IESO-controlled grid. Monthly GA dollar amounts for 'Class A' consumption are based on your coincident peak demands. This change is a result of Regulation 398/10 amending Regulation 429/04. Customers with a peak demand factor will be considered to have 'Class A' withdrawals.

The applicable methodology to determine 'Class A' and 'Class B' charges will be applied based on your 'Class A' and 'Class B' (as applicable) daily and annual estimated withdrawal amounts provided during your prudential scenario submission in Online IESO.

'Class A' GA amounts are based on the percentage that your peak demand contributes to overall system demand during the five peak hours of a defined Base Period.

For customers with 'Class A' withdrawals, the 'Class A' Global Adjustment component will be determined as follows:

[(PDF x Total GA) / Annual Total Energy Consumption (Class A)] x Daily Total Energy Consumption (Class A) x Number of Billing Days, where:

- PDF is the Peak Demand Factor assigned to each 'Class A' customer based on their five coincident peak demands.
- Total GA is the Ontario Energy Board's estimate of the total annual Global Adjustment cost for the applicable period.
- Annual Total Energy Consumption (Class A) is your estimated annual Class A electricity consumption covering all Class A resources in your portfolio, which is initially provided in your prudential scenario submission.
- Daily Total Energy Consumption (Class A) is the estimated daily Class A electricity consumption for the customer initially provided in your prudential scenario submission.
- Number of Billing Days can range from 7 to 49 days when determining your trading limit and default protection amounts for your Maximum Net Exposure.

For customers with 'Class B' withdrawals, the 'Class B' Global Adjustment component will be determined as follows:

Class B Global Adjustment Rate x Daily Total Energy Consumption (Class B) x Number of Billing Days, where:

- Class B Global Adjustment Rate is the Global Adjustment (Class B) price per MWh provided by the Ontario Energy Board
- Daily Total Energy Consumption (Class B) is the estimated daily Class B electricity consumption for the customer initially provided in your prudential scenario submission.
- Number of Billing Days can range from 7 to 49 days when determining your trading limit and default protection amounts for your Maximum Net Exposure.

~~2 Please note: example is for illustrative purposes only.~~

~~3 Please note: the estimated energy price will be adjusted for 'Class A' wholesale consumers. See "Global Adjustment" on page 22 of this guide for additional information.~~

### Transmission charges

Includes Add transmission charges<sup>2</sup> that apply to you (transmission charges are based on your estimated peak load for the upcoming billing period):

- Network Service Charge \$~~53.6786~~/kW/month (+ applicable taxes)
- Transformation Connection Service Charge \$~~32.21102~~/kW/month (+ applicable taxes)
- Line Connection Service Charge \$0.9~~5287~~/kW/month (+ applicable taxes)

### **The IESO-set minimum trading limit for Physical Transactions (non-Energy Traders)**

**If you are an energy trader, we set your minimum trading limit at 25% of your estimated net**

<sup>2</sup> The 2024 rates are provided as reference. For the latest applicable rates, refer to the IESO's Monitor Prudential system or the OEB rate order at <https://www.oeb.ca/applications/applications-oeb/electricity-transmission-rates>

settlement amounts – based on either your recent market activity or on a forecast of your future market activity. As with Market Participants that are not energy traders, if your self-assessed trading limit is higher than the IESO-determined limit, we will use your self-assessed trading limit as your trading limit for physical transactions.

Example 1: Minimum Trading Limit for a Market Participant exporting (purchasing) as an Energy Trader

**Minimum Trading Limit Calculation**

<u>Market Participant informs via Online IESO that their expected net settlement amount is:</u>	\$1,525,000
<u>25% of Expected Net Settlement Amount</u>	<u>\$381,250</u>
<b><u>MINIMUM TRADING LIMIT</u></b>	<b><u>\$381,250</u></b>

**If you are not an energy trader, we** set your minimum trading limit for physical transactions ~~limit~~ by estimating the net settlement amounts from conducting physical transactions you would incur in the day-ahead and real-time markets over 7 days of market activity under the 'margin call option', ~~ignoring the impact of physical bilateral contracts.~~

~~(If you have a credit rating of BBB or higher, you may request that we take physical bilateral contracts into account when we determine your minimum trading limit. If you make this request, you must send us your physical bilateral contract information and immediately let us know when there are any changes to these contracts.)~~

Keep in mind that if your self-assessed trading limit is higher than the IESO-determined limit, we will use your self-assessed trading limit as your trading limit for physical transactions.

Following are two examples of minimum trading limit calculations for Market Participants who are not energy traders.

**Example 1: Minimum Trading Limit Wholesale consumer with 200 MW peak load**

**Example 2: Minimum Trading Limit for a Consumer with Class A and B Non-Dispatchable Load (50 MW Peak)**

Total daily energy consumption:	<b>3,360 MWh/day</b>
---------------------------------	----------------------

**Assumed Inputs**

<u>Daily Total Energy Consumption (Class A):</u>	<u>200 MWh/day</u>
<u>Annual Total Energy Consumption (Class A):</u>	<u>55,000 MWh/year</u>
<u>Daily Total Energy Consumption (Class B):</u>	<u>500 MWh/day</u>
<u>Non-Dispatchable Load Energy Price Basis:</u>	<u>\$35/MWh</u>
<u>Days of Market Activity for calculation (Given)</u>	<u>7 days</u>
<u>Peak Demand Factor:</u>	<u>0.0001</u>
<u>Total Class A Global Adjustment Dollars:</u>	<u>\$12,300,000,000</u>
<u>Class B Global Adjustment Rate:</u>	<u>\$100/MWh</u>

**Minimum Trading Limit Calculation**

<b>Energy Exposure</b> $3,360(200+500) \text{ MWh/day} \times \cancel{\$102.1035/\text{MWh}} \times 7 \text{ days}$	<u>\$2,401,392,171,500</u>
<b><u>Class A Global Adjustment Charges</u></b> $((0.0001 \times \$12.3B) / 55,000 \text{ MWh/year}) \times 200 \text{ MWh/day} \times 7 \text{ days}$	<u>\$31,309,767.00</u>
<b><u>Class B Global Adjustment Charges</u></b> $\$100/\text{MWh} \times 5200 \text{ MWh/day} \times 7 \text{ days}$	<u>\$35,140,000</u>

<p><b>Transmission Exposure</b></p> <p><del>200-50</del> MW/month x 1000 kW/MW x 1 month x <del>\$35.6078</del> <del>-66</del>kW</p> <p><u>50 MW/month x 1000 kW/MW x 1 month x \$3.21 kW</u></p> <p><u>50 MW/month x 1000 kW/MW x 1 month x \$0.95 kW</u></p>	<p><del>\$732,000</del><u>2809,000</u></p> <p><u>\$160,500</u></p> <p><u>\$47,500</u></p>
<p><b><del>Debt Recovery Charge</del></b></p> <p><del>\$7/MWh x 3,360 MWh/day x 7 days</del></p>	<p><del>\$164,640</del></p>
<p><b>Rural or Remote Electricity Rate Protection</b></p> <p><del>\$2.101.40</del> / MWh x <del>3,360</del><u>700</u> MWh/day x 7 days</p>	<p><del>\$49,3926,860</del></p>
<p><b>IESO fee</b></p> <p><del>\$1.1636</del> <del>4,203</del>/MWh x <del>3,360</del><u>700</u> MWh/day x 7 days</p>	<p><del>\$27,3686,959</del></p>
<p><b>Uplift &amp; Ancillary Charges</b></p> <p><del>\$4.20</del> /MWh x <del>3,360</del><u>700</u> MWh/day x 7 days</p>	<p><del>\$9820,784</del><u>580</u></p>
<p><b>Subtotal</b></p> <p>13% (applicable taxes)</p> <p><b>MINIMUM TRADING LIMIT</b></p>	<p><del>\$4,</del> <del>051,5761,148</del><u>084,5662</u> <u>08</u></p> <p><del>\$—</del> <del>526,705</del><u>1409,947</u><u>314</u></p> <p><del>\$4,578,281</del><u>1,297</u><u>25,155</u></p> <p><u>880</u></p>

~~Example 2: Minimum Trading Limit for a Market Participant with Generator 200 MW peak generation capacity~~

Example 3: Minimum Trading Limit for a Market Participant with a Single Generator

**Assumed Inputs**

<del>Total daily</del> <u>Daily Total</u> Energy Production	( <del>3,360</del> <u>500</u> ) MWh/day
<u>Resource-Specific Energy Price Basis</u>	<u>\$30/MWh</u>
<u>Days of Market Activity for calculation (Given)</u>	<u>7 days</u>

**Minimum Trading Limit Calculation**

Energy Exposure	
<del>-5003,360</del> MWh/day x <del>\$102.10</del> <u>\$30/MWh</u> x 7 days	( <del>\$2,401,392</del> <u>105,000</u> )
MINIMUM TRADING LIMIT	\$ 0

**~~For non-metered market participants:~~**

~~For your self-assessed trading limit, you may choose any percentage greater than 25% of your estimated net settlement amount for the upcoming billing period—in other words, 25% of the ‘amount owing’ that you expect to see on your invoice.~~

~~To decrease the likelihood of receiving frequent margin calls, we encourage you to use 100% and 49 days in your calculation—this takes into account our 30-day billing period, 15-day invoicing period, 2-day remittance period, and our 2-day review period.~~

**~~The IESO-set minimum trading limit (Energy Traders)~~**

~~We set your minimum trading limit at 25% of your estimated net settlement amounts—based on either your recent market activity or on a forecast of your future market activity. As with metered market participants, if your self-assessed trading limit is higher than the IESO-determined limit, we will use your self-assessed trading limit as your trading limit for physical transactions.~~

**Example 3: Minimum Trading Limit**

**Marketer/retailer ~~expurchasing~~ 200 MW from real-time energy market**

**Marketer/Retailer informs via Online IESO that their expected net settlement amount is \$1,525,000**

**Minimum Trading Limit Calculation**

<b>25% of Expected Net Settlement Amount</b>	<b>\$381,250</b>
<b>MINIMUM TRADING LIMIT</b>	<b>\$381,250</b>

**Determining your default protection amount for Physical Transactions**

This is our estimate of the additional debt you could accumulate ~~in the real-time markets~~when conducting physical transactions from the time you defaulted on a payment to the time you could be removed from the market, and prevented from incurring any further debt. We use this amount to determine your Maximum Net Exposure.

**If you are an energy trader, your default protection amount for physical transactions equals your minimum trading limit.**

**~~For metered market participants~~If you are not an energy trader, your default protection amount for physical transactions equals our estimate of the net settlement amount you would incur in ~~the real-time markets~~the day-ahead and real-time markets over 21 days of market activity under the 'margin call option', ignoring the impact of physical bilateral contracts (see Section 5).**

~~(If you have a credit rating of BBB or higher, you may request that we take physical bilateral contracts into account when we determine your default protection amount. If you make this request, you must send us your physical bilateral contract information and immediately let us know of any~~



~~changes to these contracts.)~~

Here are two examples of a default protection amount calculation for a ~~metered~~ Market Participant that is not an energy trader:

~~2.1 Example 4: Default Protection Amount Wholesale consumer with 200 MW peak load~~

Example 4: Default Protection Amount for a Consumer with Class A and B Non-Dispatchable Load (50 MW Peak)

**Assumed Inputs**

<u>Daily Total Energy Consumption (Class A):</u>	<b><u>200 MWh/day</u></b>
<u>Annual Total Energy Consumption (Class A):</u>	<b><u>55,000 MWh/year</u></b>
<u>Daily Total Energy Consumption (Class B):</u>	<b><u>500 MWh/day</u></b>
<u>Non-Dispatchable Load Energy Price Basis:</u>	<b><u>\$35/MWh</u></b>
<u>Days of Market Activity for calculation (Given)</u>	<b><u>21 days</u></b>
<u>Peak Demand Factor:</u>	<b><u>0.0001</u></b>
<u>Total Class A Global Adjustment Dollars:</u>	<b><u>\$12,300,000,000</u></b>
<u>Class B Global Adjustment Rate:</u>	<b><u>\$100/MWh</u></b>

**Default Protection Amount Calculation**

<p><b><u>Energy Exposure</u></b>  <math>(200+500) \text{ MWh/day} \times \\$35/\text{MWh} \times 21 \text{ days}</math></p>	<p><u>\$514,500</u></p>
<p><b><u>Class A Global Adjustment Charges</u></b>  <math>((0.0001 \times \\$12.3\text{B})/55,000 \text{ MWh/year}) \times 200 \text{ MWh/day} \times 21 \text{ days}</math></p> <p><b><u>Class B Global Adjustment Charges</u></b>  <math>\\$100/\text{MWh} \times 5200 \text{ MWh/day} \times 21 \text{ days}</math></p>	<p><u>\$93,927</u></p> <p><u>\$1,050,000</u><del>420,000</del></p>
<p><b><u>Transmission Exposure</u></b>  <math>50 \text{ MW/month} \times 1000 \text{ kW/MW} \times 1 \text{ month} \times \\$5.6078 \text{ kW}</math>  <math>50 \text{ MW/month} \times 1000 \text{ kW/MW} \times 1 \text{ month} \times \\$3.210 \text{ kW}</math>  <math>50 \text{ MW/month} \times 1000 \text{ kW/MW} \times 1 \text{ month} \times \\$0.925 \text{ kW}</math></p>	<p><u>\$2890,000</u></p> <p><u>\$15560,0500</u></p> <p><u>\$476,0500</u></p>
<p><b><u>Rural or Remote Electricity Rate Protection</u></b>  <math>\\$10.740 / \text{MWh} \times 700 \text{ MWh/day} \times 21 \text{ days}</math></p>	<p><u>\$210,29580</u></p>
<p><b><u>IESO fee</u></b>  <math>\\$1.42033/\text{MWh} \times 700 \text{ MWh/day} \times 21 \text{ days}</math></p>	<p><u>\$1920,551878</u></p>
<p><b><u>Uplift &amp; Ancillary Charges</u></b>  <math>\\$4.20 / \text{MWh} \times 700 \text{ MWh/day} \times 21 \text{ days}</math></p>	<p><u>\$61,740</u></p>
<p><b><u>Subtotal</u></b>  <math>13\% \text{ (applicable taxes)}</math></p> <p><b><u>DEFAULT PROTECTION AMOUNT</u></b></p>	<p><u>\$12451691,744,1251</u></p> <p><u>\$2226,73618721500</u></p> <p><u>\$1,0297070,34861900</u></p>

<b>Total daily energy consumption:</b>	<b>3,360 MWh/day</b>
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**Default Protection Amount**

<b>Energy exposure</b> $3,360 \text{ MWh/day} \times \$102.10 \times 21 \text{ days}$	<b>\$7,204,176</b>
<b>Transmission exposure</b> $200 \text{ MW/month} \times 1000 \text{ kW/MW} \times 1 \text{ month} \times \$3.66 \text{ kW}$	<b>\$732,000</b>
$200 \text{ MW/month} \times 1000 \text{ kW/MW} \times 1 \text{ month} \times \$2.02 \text{ kW}$	<b>\$404,000</b>
$200 \text{ MW/month} \times 1000 \text{ kW/MW} \times 1 \text{ month} \times \$0.87 \text{ kW}$	<b>\$174,000</b>
<b>Debt Recovery Charge</b> $\$7 / \text{MWh} \times 3,360 \text{ MWh/day} \times 21 \text{ days}$	<b>\$493,920</b>
<b>Rural or Remote Electricity Rate Protection</b> $\$2.10 / \text{MWh} \times 3,360 \text{ MWh/day} \times 21 \text{ days}$	<b>\$148,176</b>
<b>IESO fee</b> $\$1.1636 / \text{MWh} \times 3,360 \text{ MWh/day} \times 21 \text{ days}$	<b>\$82,104</b>
<b>Uplift &amp; ancillary charges</b> $\$4.20 / \text{MWh} \times 3,360 \text{ MWh/day} \times 21 \text{ days}$	<b>\$296,352</b>
<b>Subtotal</b> 13% (applicable taxes)	<b>\$9,534,728</b> <b>\$1,239,515</b>
<b>DEFAULT PROTECTION AMOUNT</b>	<b>\$10,774,242</b>

**Example 5: Default Protection Amount Generator with 200 MW peak generation capacity**

Example 5: Default Protection Amount for a Market Participant with a Single Generator

**Assumed Inputs**

<u>Daily Total Energy Production</u>	<b><u>(500) MWh/day</u></b>
<u>Resource Specific Energy Price Basis</u>	<b><u>\$30/MWh</u></b>
<u>Days of Market Activity for calculation (Given)</u>	<b><u>21 days</u></b>

**Default Protection Amount Calculation**

<b><u>Energy Exposure</u></b> <u>-500 MWh/day x \$30/MWh x 21 days</u>	<b><u>(\$315,000)</u></b>
<b><u>DEFAULT PROTECTION AMOUNT</u></b>	<b><u>\$ 0</u></b>
<b><u>Total daily energy production</u></b>	<b><u>(3,360) MWh/day</u></b>

**Default Protection Amount**

<b><u>Energy exposure</u></b> <b><u>3,360 MWh/day x \$102.10 x 21 days</u></b>	<b><u>(\$7,204,176)</u></b>
<b><u>DEFAULT PROTECTION AMOUNT</u></b>	<b><u>\$ 0</u></b>

**For non-metered market participants: your default protection amount equals your minimum trading limit.**

**Credit information and payment history for Physical Transactions only**

You may be able to use your credit rating information or your payment history to reduce your prudential support amount. Please see Section [4.1](#) for more information on reducing your prudential support amount [for physical transactions](#).

## 2.2 Physical bilateral contracts (PBCs)

~~You may have a contract with another market participant to trade electricity directly, rather than through the real-time markets. If you use the IESO settlement process to settle your physical bilateral contract amounts, your prudential support obligation may be affected. Please see Section 5 for details.~~

### **The No Margin Call Option for Physical Transactions only**

The 'no margin call option' means you would not be subject to margin calls<sup>3</sup>, regardless of the level of your actual exposure.

The ability to select the 'no margin call option' depends on the types of transactions you are authorized to conduct. Specifically, you are not eligible to select the 'no margin call option' if one of your authorization types includes a virtual trader.

If you are eligible and select the 'no margin call option':

- we will change how we calculate your Maximum Net Exposure; and
- you cannot claim a reduction in your prudential support for a credit rating, payment history, or —for the local distribution companies (LDCs)— the LDC company prudential credit (unless you are a 'small distributor'<sup>4</sup>).

You may wish to use the 'no margin call option' if you want to avoid the inconvenience and risk of margin calls, and you are able to arrange for low-cost prudential support equal to your Maximum Net Exposure.

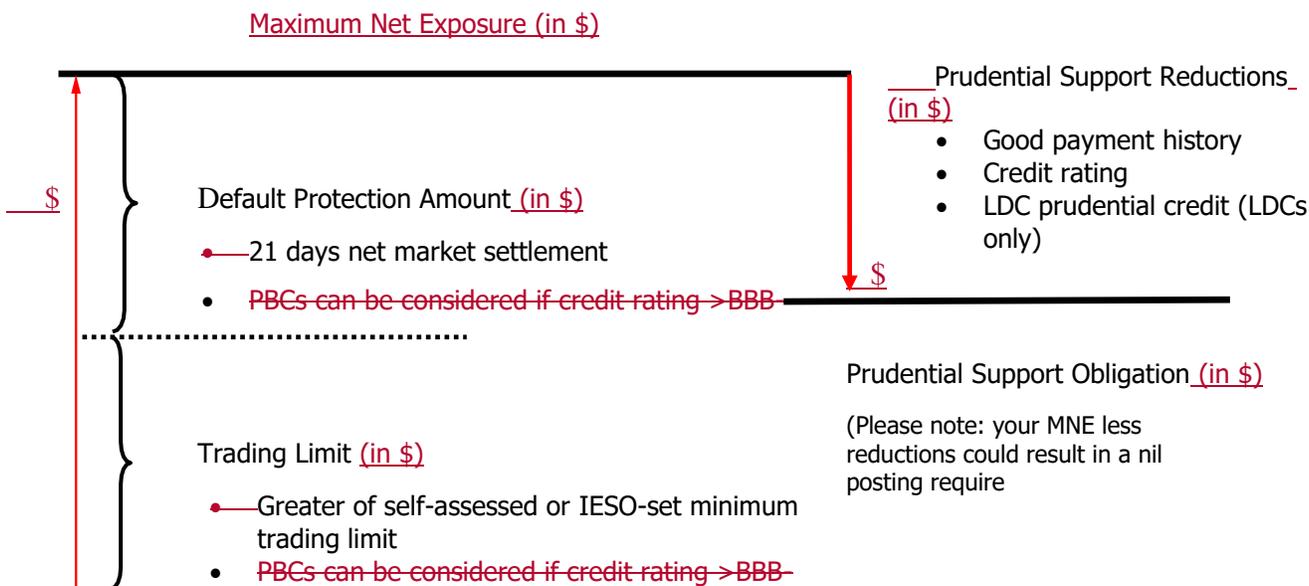
If you select the 'no margin call' option, we will calculate your Maximum Net Exposure based on 70 days of market activity, instead of on the number of days in the upcoming billing period.

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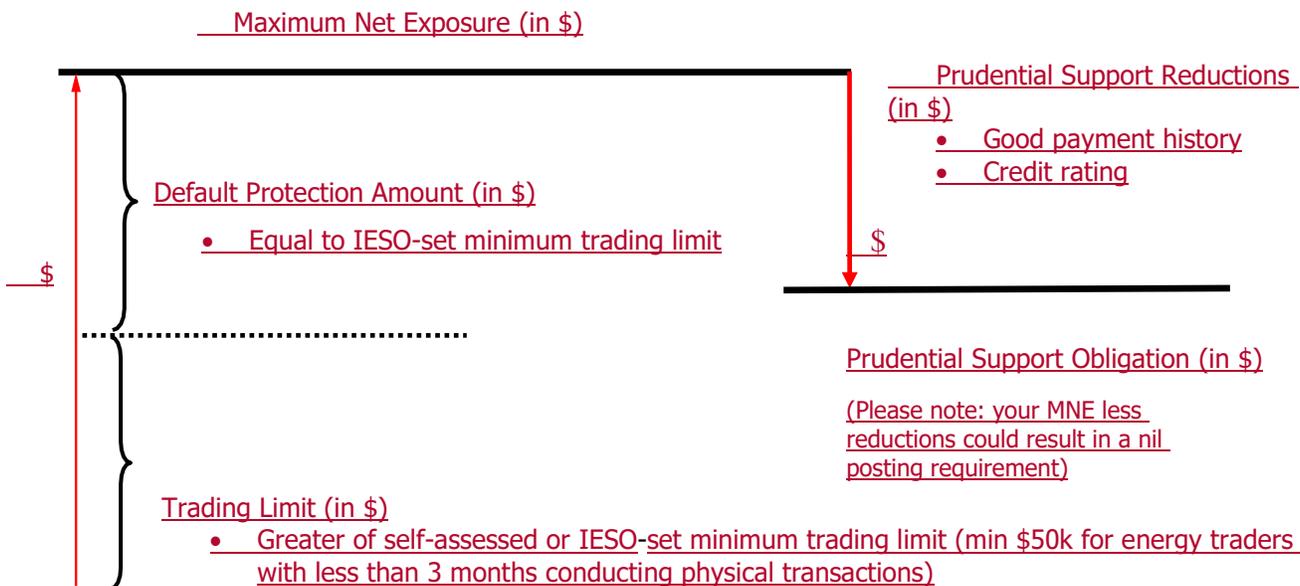
<sup>3</sup> To satisfy a margin call, you must pay a portion of the amount you owe by a set time. For more information on margin calls, please see Section 7.

<sup>4</sup> A 'small distributor' is a distributor with a projected annual energy consumption that is not more than 0.25% of the projected total system energy.

**Margin Call Option Prudential Support Obligation for Physical Transactions: Metered Market Participants that are not Energy Traders (Margin Call Option)**

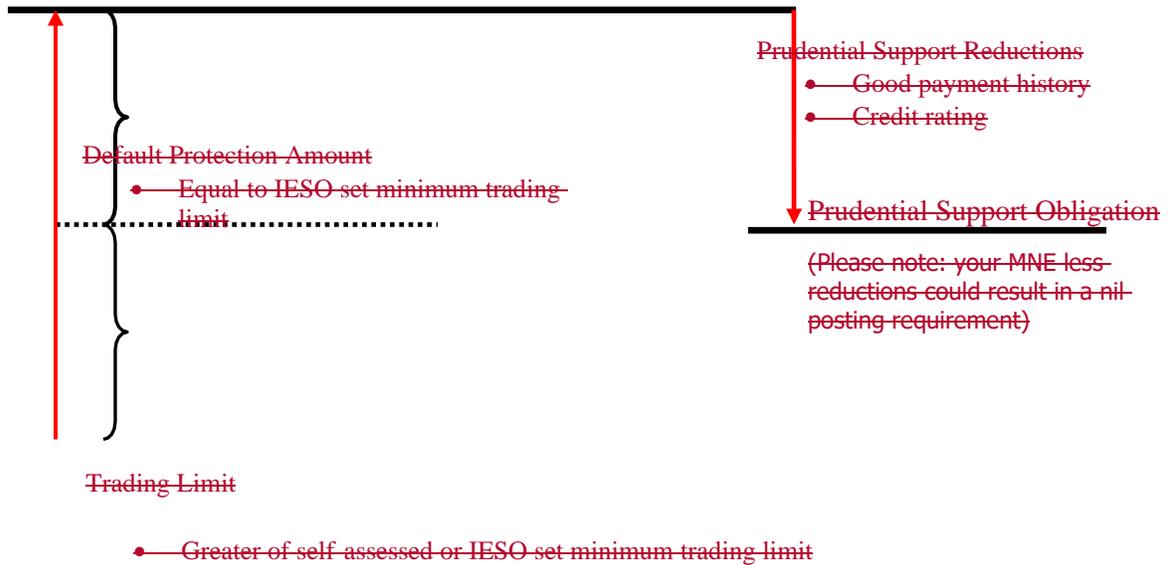


**Prudential Support Obligation for Physical Transactions: Market Participants that are Energy Traders**



### 2.3 Margin Call Option: Non-Metered Participants

Maximum Net Exposure



### **Determining Prudential Support using the No Margin Call Option**

~~If you wish, you may elect the 'no margin call option'. This means you would not be subject to margin calls<sup>5</sup>, regardless of the level of your actual exposure. (To satisfy a margin call, you must pay a portion of the amount you owe by a set time. For more information on margin calls, please see Section 8.)~~

~~If you select this option:~~

~~, we will change how we calculate your maximum net exposure. and~~

~~If you select the 'no margin call option', you cannot claim a reduction in your prudential support for a credit rating, payment history, or — for local distribution companies (LDCs) — the LDC prudential credit (unless you are a 'small distributor'<sup>4</sup>).~~

~~You may wish to use the 'no margin call option' if you want to avoid the inconvenience and risk of margin calls, and you are able to arrange for low-cost prudential support equal to your maximum net exposure.~~

~~For metered market participants (such as a wholesale consumer): if you select the no-margin call option, we will calculate your maximum net exposure based on 70 days of market activity, instead of on the number of days in the upcoming billing period. In addition, we will not take into account any physical bilateral contracts.~~

~~For non-metered market participants (such as marketers): if you select the no margin call option, we will calculate your maximum net exposure as 100% of your estimated net settlement amounts for the upcoming billing period, using the average of your net settlement amounts for the three most recent billing periods where you had market transactions. If you haven't had any transactions for at least three months, we will use your estimate of net settlement amounts for the upcoming billing period.~~

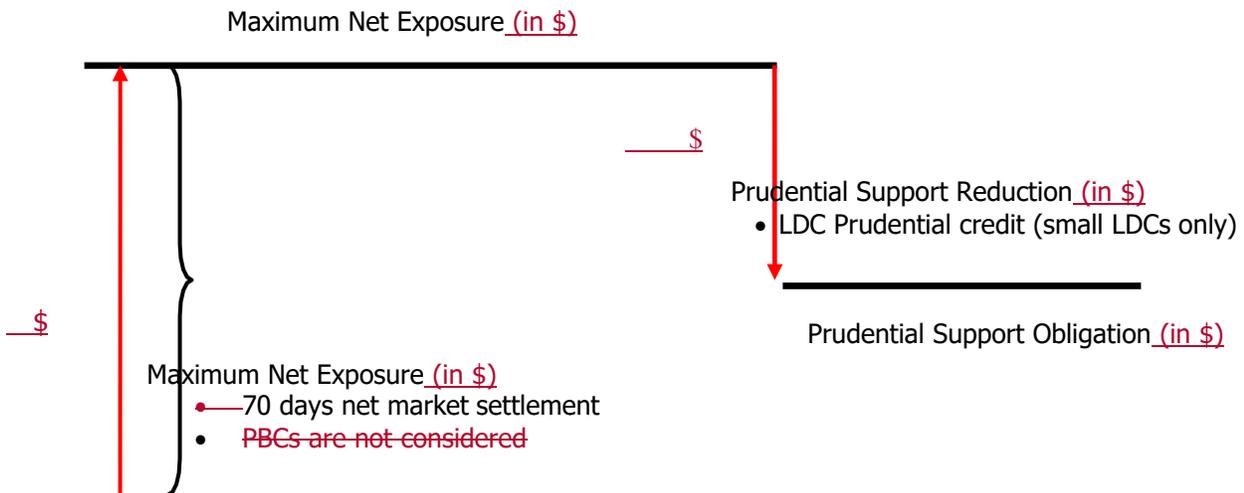
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~~<sup>4</sup>A 'small distributor' is a distributor with a projected annual energy consumption that is not more than 0.25% of the projected total system energy.~~

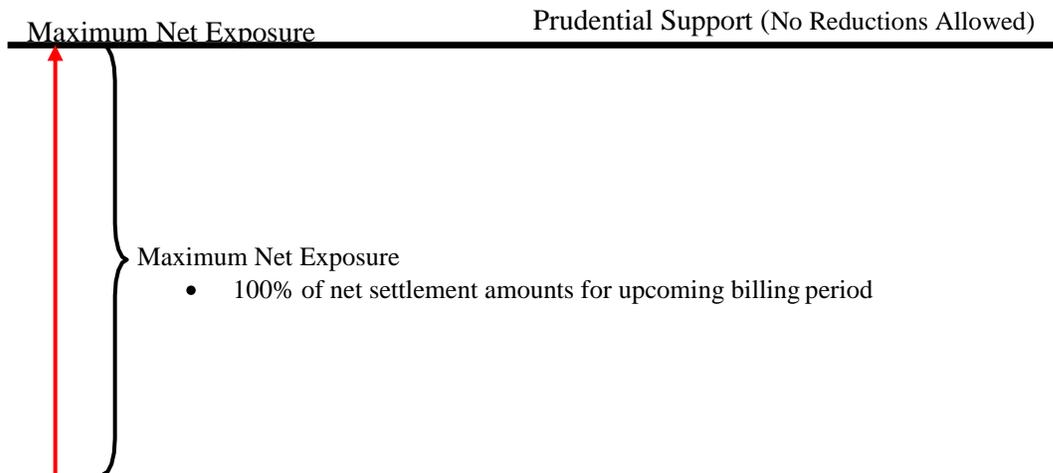
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~~<sup>5</sup>To satisfy a margin call, you must pay a portion of the amount you owe by a set time. For more information on margin calls, please see Section 7.~~

**No Margin Call Option Prudential Support Obligation for Physical Transactions: Metered-Participants Market Participants that are not Energy Traders (No Margin Call Option)**



**2.4 No Margin Call Option: Non-Metered Participants**



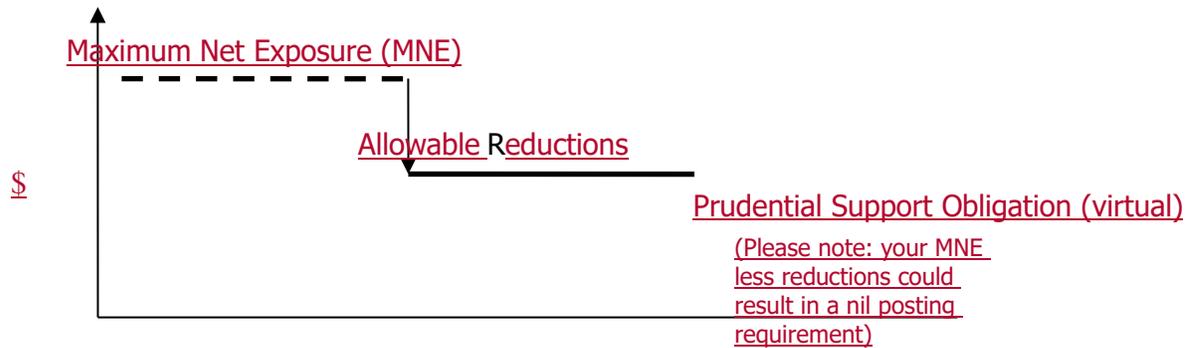
2.5-

**2.2 Determining Prudential Support for Virtual Transactions**

Your (the Market Participant's) prudential support obligation for virtual transactions is determined separately -and applies a different methodology from what is used to determine your prudential support obligation for physical transactions. Similar to physical transactions, your prudential support obligation for virtual transactions is a function of your Maximum Net Exposure less any allowable

## 2. Determining the Amount of Your Prudential Support

reductions. However, unlike your prudential support obligation for physical transactions, you are not eligible to select the 'no margin call option' when determining your prudential support obligation for virtual transactions. Furthermore, most reductions available for your prudential support obligation for physical transactions are not available for virtual transactions.



## 2. Determining the Amount of Your Prudential Support

To determine your Prudential Support Obligation for virtual transactions, we (the IESO) consider your:

- Maximum Net Exposure, which is the summation of your:
  - Minimum trading limit
  - Default protection amount
  - Market creditor status reduction eligibility

Details for each of these are outlined in the following sections.

### **Maximum Net Exposure (MNE) for Virtual Transactions**

Your Maximum Net Exposure is our estimate of the net amount you could owe while conducting virtual transactions.

We estimate your Maximum Net Exposure for virtual transactions based on the information you provide through Online IESO (<https://gateway.ieso.ca>/<https://online.ieso.ca>). We look at:

- Your maximum daily trading limit in MWh
- Market creditor status reduction in \$'s

We calculate your Maximum Net Exposure for virtual transactions by adding your minimum trading limit and your default protection amount.

### **Determining your minimum trading limit for Virtual Transactions**

Submit your absolute value of the maximum daily trading limit in MWh, reflecting total virtual transaction activity across all virtual zones in Online IESO (<https://gateway.ieso.ca>/<https://online.ieso.ca>). We will use this input along with a virtual price delta value and an estimated virtual uplift rate to determine a minimum trading limit for you that is equivalent to a default value of between 2 days market activity but, at our discretion, this may be increased up to 7 days of market activity, depending on if you have previously defaulted.

The annual virtual price delta value is determined based on a percentile of all day-ahead to real-time price differences across the nine virtual zones over the latest three-year period (see Market Manual 5.4, Section 4.2.1 for details about how the value is determined). The Annual Virtual Transaction Price Delta Report is available on the IESO's public reports website and is updated at least once every calendar year.

Finally, the IESO estimates a virtual uplift rate, which currently only represents an IESO estimation of the Day-Ahead Market Reliability Scheduling Uplift rate that may be incurred by virtual transaction offers representing a virtual energy injection.

## 2. Determining the Amount of Your Prudential Support

Your trading limit serves as a warning of potential over-exposure in the real-time markets. If your actual exposure reaches or exceeds your trading limit, we will issue you a margin call. If you do not wish to receive margin call demands, then it is best if your trading limit reflects a level of virtual activity greater than your actual exposure before you make your next invoice payment.

Both your maximum daily trading limit in MWh and your trading limit for virtual transactions in dollars are used to facilitate the two day-ahead market screening process for virtual bids and offers.

The following is an example of the minimum trading limit calculation for virtual transactions:

### Example 6: Minimum Trading Limit for a Virtual Trader

#### **Assumed Inputs**

<u>-150 MWh/day of Day-Ahead injections</u>	
<u>250 MWh/day of Day-Ahead withdrawals</u>	
<u>Maximum Daily Trading Limit (sum of absolute value):</u>	<b><u>400 MWh/day</u></b>
<u>Number of Trading Limit Assessment Days:</u>	<b><u>2 days</u></b>
<u>Annual Price Delta Value:</u>	<b><u>\$50 MWh</u></b>
<u>Virtual Uplift Rate Estimate:</u>	<b><u>\$2/MWh</u></b>

#### **Minimum Trading Limit Calculation**

<b><u>Trading Limit Estimate</u></b>	
<u>400 MWh/day x \$50/MWh x 2 days</u>	<u>\$40,000</u>
<b><u>Virtual Uplift Charges</u></b>	
<u>400 MWh/day x \$2/MWh x 2 days</u>	<u>\$1,600</u>
<b><u>Subtotal</u></b>	<b><u>\$41,600</u></b>
<u>13% (applicable taxes)</u>	<u>\$5,408</u>
<b><u>MINIMUM TRADING LIMIT</u></b>	<b><u>\$47,008</u></b>

## 2. Determining the Amount of Your Prudential Support

### Determining your default protection amount for Virtual Transactions

This is our estimate of the additional debt you could accumulate conducting virtual transactions from the time you defaulted on a payment to the time you could be removed from the market, and prevented from incurring any further debt. We use this amount to determine your Maximum Net Exposure.

Your default protection amount equals our estimate of the net settlement amount you would incur conducting virtual transactions over 7 days of market activity.

Here is an example of the default protection amount calculation for virtual transactions:

#### Example 7: Default Protection Amount for a Virtual Trader

##### **Assumed Inputs**

<u>Maximum Daily Trading Limit:</u>	<b><u>400 MWh/day</u></b>
<u>Number of Trading Limit Assessment Days:</u>	<b><u>7 days</u></b>
<u>Annual Price Delta Value:</u>	<b><u>\$50 MWh</u></b>
<u>Virtual Uplift Rate Estimate:</u>	<b><u>\$2/MWh</u></b>

##### **Default Protection Amount Calculation**

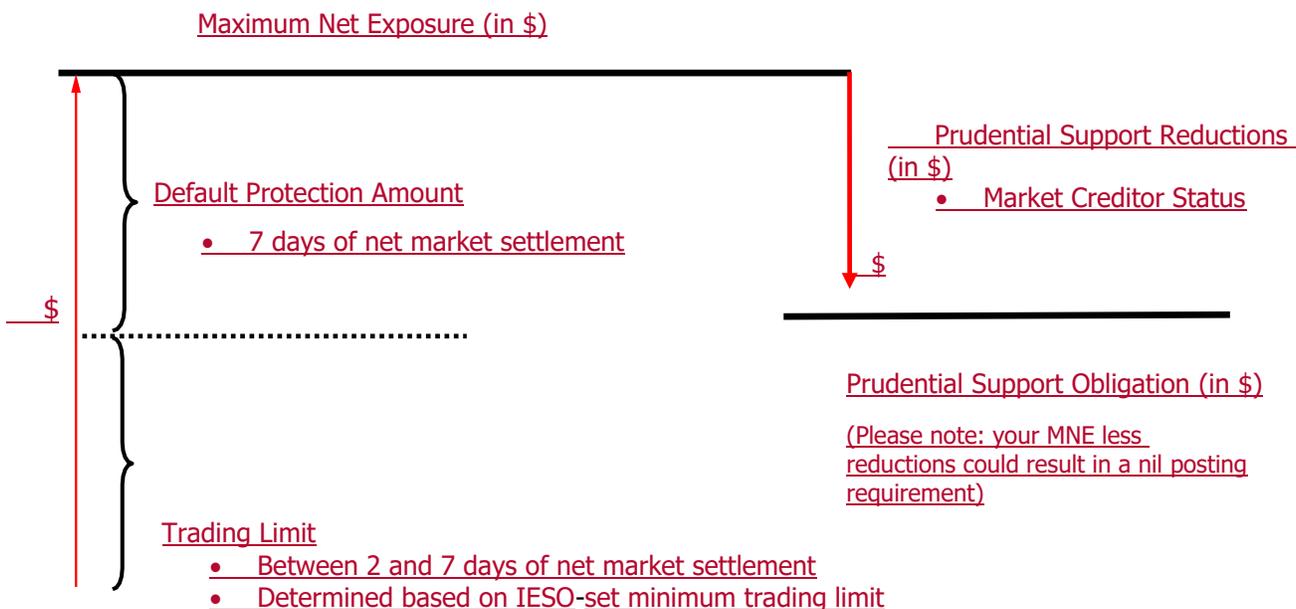
<b><u>Trading Limit Estimate</u></b> <u>400 MWh/day x \$50/MWh x 7 days</u>	<u>\$140,000</u>
<b><u>Virtual Uplift Charges</u></b> <u>400 MWh/day x \$2/MWh x 7 days</u>	<u>\$5,600</u>
<b><u>Subtotal</u></b>	<b><u>\$145,600</u></b>
<u>13% (applicable taxes)</u>	<u>\$18,928</u>
<b><u>DEFAULT PROTECTION AMOUNT</u></b>	<b><u>\$164,528</u></b>

## 2. Determining the Amount of Your Prudential Support

### Market Creditor Status Reduction

You may be eligible for a reduction to your Maximum Net Exposure for virtual transactions if you satisfy the market creditor status criteria. Please see Section 4.2 for more information on reducing your prudential support amount for virtual transactions.

### Prudential Support Obligation for Virtual Transactions



## 3 Posting Your Prudential Support

Once you (the Market Participant) enter the required information for physical transactions or virtual transactions in Online IESO (<https://gateway.ieso.ca/>)-(<https://online.ieso.ca/>), the tool will determine your prudential support amount. - If you are authorized to perform both physical and virtual transactions, you will have two distinct Prudential Support Obligations. If you are satisfied with the result, submit it to us (the IESO) for review. If the submission is approved and once the original prudential support has been received by us, we will send you an email notification advising you that the Prudential Support Obligation – Schedule A is available in the Prudential Support Obligation tab of the Prudential Manager in the IESO Portal-Gateway site:

<https://gateway.ieso.ca/https://portal.ieso.ca/>. This form also shows any allowable reductions used in the calculation of the net amount you have to post (see Section 4 for details on reductions).

~~At least two weeks before you enter the market~~Prior to being authorized to conduct either physical or virtual transactions, you must post your prudential support with us or with our custodian (a third-party agent which retains the treasury bills on the IESO's behalf). The total amount posted with us must be at least as much as the amount determined using Online IESO.

### 3.1 Acceptable Types of Collateral

You can use the following type of collateral to satisfy your physical or virtual Prudential Support Obligations:

- A guarantee or irrevocable commercial letter of credit in a form acceptable to us, provided by:
  - A bank named in a Schedule to the Bank Act, S.C. 1991, c.46., with a minimum long-term credit rating of 'A' from an IESO-approved bond rating agency, *or*
  - A credit union licensed by the Financial Services Commission of Ontario with a minimum long-term credit rating of 'A' from an IESO-approved bond rating agency.

In addition, you can use the following types of collateral to satisfy your physical Prudential Support Obligation:

- A guarantee in a form that is acceptable to us, provided by a person (other than one of your affiliates) who has a credit rating from an IESO-approved bond rating agency.
- Marketable securities in the form of Canadian government treasury bills (treasury bills will be valued as cash at their current market value less two percent, to take market fluctuations into account)
- A guarantee in a form acceptable to us provided by a person who is one of your affiliates and who has a credit rating from an IESO-approved bond rating agency (subject to some limits – please see Market Rules, Chapter 2 for details)

### 3 Posting Your Prudential Support

- Cash deposits made with us by you or on your behalf, as long as you meet the following criteria:
  - You were already meeting your Prudential Support Obligation in whole or in part through a cash deposit on November 4, 2004, and
  - Your Prudential Support Obligation was \$200,000 or less on November 4, 2004, and it remains \$200,000 or less

## 4 Reductions in Your Prudential Support Obligations

### 4.1 Reductions in Your Prudential Support Obligations for Physical Transactions

You (the Market Participant) may be able to reduce the amount of your Prudential Support Obligation for physical transactions based on your credit rating or your good payment history.

#### Reductions due to Credit Ratings

We (the IESO) may reduce your Prudential Support Obligation for physical transactions relative to your Maximum Net Exposure based on your credit rating from a major bond rating agency on our IESO- approved list. The following table shows the reduction allowed for each credit rating category:

#### Credit Rating Reductions for Market Participants that are not Distributors

Credit Rating Category (using Standard and Poor’s Rating Terminology)	Allowable Reduction in Prudential Support Obligation <u>(physical portion)</u> (For non-Distributors)
AA- and above, or equivalent	100% of Maximum Net Exposure
A-, A, A+ or equivalent	Greater of 90% of Maximum Net Exposure or \$37,500,000
BBB-, BBB, BBB+ or equivalent	Greater of 65% of Maximum Net Exposure or \$15,000,000
BB-, BB, BB+ or equivalent	Greater of 30% of Maximum Net Exposure or \$4,500,000
Below BB- or equivalent	\$0

### Credit Rating Reductions for Distributors

Credit Rating Category (using Standard and Poor's Rating Terminology)	Allowable Reduction in Prudential Support Obligation <u>(physical portion)</u> (For Distributors)
AA- and above, or equivalent	100% of Maximum Net Exposure
A-, A, A+ or equivalent	Greater of 95% of Maximum Net Exposure or \$45,000,000
BBB-, BBB, BBB+ or equivalent	Greater of 80% of Maximum Net Exposure or \$22,500,000
BB-, BB, BB+ or equivalent	Greater of 55% of Maximum Net Exposure or \$7,500,000
Below BB- or equivalent	\$0

Example 8: Prudential Support Obligation for a ~~wholesale customer~~ Market Participant that is not a Distributor (with credit rating reduction)

#### Assumed Inputs

<u>Maximum Net Exposure:</u>	<b><u>\$3,000,000</u></b>
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#### Allowable Reduction Calculation for Credit Rating

<del>Minimum Trading Limit</del> _____	<del>\$6,915,922</del>
<del>Default Protection Amount</del> _____	<del>+ \$11,931,806</del>
<b>Maximum Net Exposure:</b> _____	<b>\$18,847,728</b>
<b>Allowable reduction for credit rating</b> , assuming a BBB rating, the greater of: 65% of Maximum Net Exposure ( <del>\$1,950,000</del> <del>12,251,023</del> ) or \$15,000,000	
Allowable reduction for credit rating	\$15,000,000
<b><u>Total Prudential Support Obligation:</u></b>	<b><u>\$0</u></b>

### Reductions due to Payment History

We may reduce your Prudential Support Obligation for physical transactions on evidence of good payment history ~~for your electricity purchases in Ontario~~ in the IESO-administered markets.

If you have a credit rating from a major bond rating agency on the IESO-approved list, you cannot have a reduction for good payment history.

### Reduction amounts for Good Payment History

If you are not a Distributor:

Good Payment History	Allowable Reduction in Prudential Support Obligation <u>(physical)</u> (for non-Distributors)
Six years or more	The lesser of \$12,000,000 or 50% of Maximum Net Exposure
Five or more years but less than six years	The lesser of \$7,500,000 or 30% of Maximum Net Exposure
Four or more years but less than five years	The lesser of \$6,000,000 or 25% of Maximum Net Exposure
Three or more years but less than four years	The lesser of \$4,500,000 or 20% of Maximum Net Exposure
Two or more years but less than three years	The lesser of \$3,000,000 or 15 % of Maximum Net Exposure
Less than two years	\$0

## 4 Reductions in Your Prudential Support Obligations

Example 9: Prudential Support Obligation for a ~~wholesale customer~~ Market Participant that is not a Distributor (with reduction for 3.5 years good payment history)

### Assumed Inputs

<u>Maximum Net Exposure:</u>	<u><b>\$3,000,000</b></u>
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### **Allowable Reduction Calculation for Good Payment History**

<b>Maximum Net Exposure:</b>	<del>\$12,847,728</del>
Allowable reduction for payment history (Lessor of \$4,500,000 or 20% of Maximum Net Exposure)	\$ <u>600,000</u> <del>2,569,546</del>
<b>Total Prudential Support Obligation:</b>	\$ <u>2,400,000</u> <del>10,278,182</del>

If you are a distributor:

Good Payment History	Allowable Reduction in Prudential Support Obligation (for distributors)
Six or more years	The lesser of \$14,000,000 or 80% of Maximum Net Exposure
Five or more years but less than six years	The lesser of \$9,000,000 or 65% of Maximum Net Exposure
Four or more years but less than five years	The lesser of \$7,500,000 or 45% of Maximum Net Exposure
Three or more years but less than four years	The lesser of \$6,000,000 or 35% of Maximum Net Exposure
Two or more years but less than three years	The lesser of \$4,500,000 or 25% of Maximum Net Exposure
Less than two years	\$0

### Reductions due to provision of Prudential Support by Distributor's Customers (available to local distribution companies only)

If you are a distributor, and:

- You have not selected the no margin call option, or
- You qualify as a small distributor,

then, we will reduce your Prudential Support Obligation for physical transactions by 60% of the qualifying prudential support you have collected from your customers. You must provide us with an affidavit (use Form AFF\_0001) and proof of these amounts.

We will deduct 60% of your collection of prudential support from your Maximum Net Exposure before applying any other prudential support obligation deductions.

### 4.2 Reductions in Your Prudential Support Obligations for Virtual Transactions

You may be able to reduce the amount of your Prudential Support Obligation for virtual transactions through the Market Creditor Status Reduction, based on your physical transaction activity. The reduction amount is determined as 75% of the average of the six most recent consecutive invoices as a generator (or injections from an energy storage resource).

Example 10: Prudential Support Obligation for a Virtual Trader (with Market Creditor Status Reduction eligibility)

<b><u>Maximum Net Exposure:</u></b>	<b><u>\$211,536</u></b>
<u>Average of six most recent invoices:</u>	<u>\$30,000</u>
<u>Reduction amount (75% of invoice average):</u>	<u>\$22,500</u>
<b><u>Total Prudential Support Obligation:</u></b>	<b><u>\$189,036</u></b>

# Impact of Physical Bilateral Contracts

A physical bilateral contract is an agreement between a seller and a buyer to trade electricity directly, rather than through the real-time markets. If you use the IESO settlement process to settle the contract amounts, the contracted quantities of electricity:

- Decrease the amount we owe to the seller
- Decrease the amount the buyer owes us

This lowers the buyer's actual exposure, and raises the seller's actual exposure.

### 3.2 Impact on buyers

(Please note that only the seller can submit the physical bilateral contract to us for inclusion in our settlements process.)

If your physical bilateral contract is part of our settlement process, we will not include the dollar amount associated with the contract when we calculate your real-time energy charges. This will lower your actual exposure. You may wish to factor this in when calculating your self-assessed trading limit so that you do not post unnecessary prudential support.

Depending on how your contract is drawn up, you may still have some charges such as transmission, debt reduction, etc. Keep in mind that you should include these charges when you calculate your self-assessed trading limit.

### 3.3 Impact on sellers

(Please note that only the seller can submit the physical bilateral contract to us for inclusion in our settlements process.)

If you submit the contract to us, we will not include the dollar amount associated with the contract when we calculate your real-time energy payment. This will raise your actual exposure, and you will need to factor this in when you calculate your self-assessed trading limit.

If you are injecting at least as much electricity into the grid as the amount of your contract, you will likely remain a net creditor to the market—that is, your actual exposure will remain negative and you will not have to post prudentials. This would also be the case if you have a back-up physical bilateral contract with another generator for at least the contracted amount. In either of these cases, there would be no impact on your actual exposure.

~~Keep in mind that there is a risk that you may have to buy energy from the real-time market to meet your physical bilateral contract obligation to the buyer. This could happen if your generation or back-up generation does not actually inject the contracted amount into the grid—you could become a net debtor to the market. If this happens, your actual exposure could become a positive amount and you would be subject to a margin call. (See Section for information on margin calls.)~~

# 45 Maintaining Your Prudential Support

You (the Market Participant) must maintain your prudential support at all times. However, your Maximum Net Exposure and your obligations may change depending on your activities and on conditions in the marketplace. For example, price fluctuations may affect your trading levels.

You need to keep us (the IESO) informed with information about your operations, your credit rating and the status of your existing prudential support. We assess your market activity on a regular basis (see below). You also need to let us know when there are changes to your information – for example, if part of your prudential support is due to expire.

## 4.15.1 IESO Review

We review your minimum trading limit, trading limit, default protection amount and Maximum Net Exposure:

- Before each billing period
- Within two business days after your actual exposure exceeds your trading limit
- Within two business days after receiving notice from you of a change in status that would affect your Maximum Net Exposure (e.g., operational changes, such as increase or decrease in load, peaks, etc.)
- For ~~non-metered market participants~~energy traders: if we have adjusted your trading limit after you have not had any transactions in the market for three months
- ~~If we have adjusted our price basis. (see Appendix A for details)~~
- 

If your Maximum Net Exposure changes as a result of our review, we will send you an updated Schedule A. If you need additional prudential support as a result of the change to your Maximum Net Exposure, you must provide it within five business days from the effective date of the change.

## 4.25.2 Other Circumstances that could change your Prudential Support Obligation

- If your Prudential Support Obligation [for physical transactions](#) has been reduced based on your credit rating or payment history, and there is a change to your credit rating or payment history, your Prudential Support Obligation may change. If you need to add to your prudential amount, you will have five business days to provide the additional amount.
- If your Prudential Support Obligation for virtual transactions has been reduced based on your market creditor status and there is a change to your market creditor status, your Prudential Support Obligation may change. If you need to add to your prudential amount, you will have five business days to provide the additional amount. Upon issuance of a prudential increase notice, we will reject subsequent bids and offers for virtual transactions until the prudential increase is satisfied.
- If any part of your prudential support is due to expire, you must provide a replacement that comes into effect no later than the expiry date. You must provide the replacement at least 10 [business](#) days before the expiry date.
- If any part of your prudential support is no longer current or if it becomes invalid, you must provide a replacement within two business days.
- If we draw or claim any part of your prudential support, you must provide a replacement within five business days of receiving notice from us.
- If an event of default occurs as defined in the Market Rules, Chapter 3.

## 56 Calculating Your Actual Exposure

We (the IESO) verify that each Market Participant who has selected the margin call option has provided enough prudential support to cover their trading activity in the day-ahead and real-time markets. We calculate your actual exposure and compare it to your trading limit. ~~(We do not carry out this step for market participants conducting physical transactions who have elected the 'no-margin call option' — see Section 8 for information on margin calls.)~~

If you (the Market Participant) conduct both physical and virtual transactions, your actual exposure will be determined as the sum of your physical and virtual activity and compared to the combined trading limits for physical and virtual transactions.

If your actual exposure reaches a certain percentage of your Prudential Support Obligation, we will issue a margin call warning or a margin call as applicable.

Your actual exposure is the sum of the following ~~four~~three amounts:

- Amount settled but not invoiced:

This is the total of amounts on your preliminary and final settlement statements that have not yet been billed to you, plus the settlement amount that has been calculated but has not yet appeared on a settlement statement.

- Amount cleared but not settled for physical transactions:

**Non-dispatchable participants****For NDL (Non-Dispatchable Load) resources:**

~~We do not use this category. Instead:~~

~~For metered market participants: we use~~This is an estimated amount, based on average actual consumption observed for the past six days. We also take into account the ~~OEB-regulated price plan and, for non-distributors, the average -~~ hourly Ontario energy price (HOEP) for the Ontario Zonal Price for the applicable day-ahead run over the applicable trade days.

~~**For non-metered market participants (e.g., retailers, marketers): This is the sum of bids/offers for the past six days that has not yet been settled.**~~

**Dispatchable participants****For resources that are not a Non-Dispatchable Load, including intertie resources and price responsive loads:**

This is the net amount of dispatched energy and operating reserve over the most recent six days that has not yet been settled.

**For all participants:**

We include an estimate of other settlement charges (e.g., ~~debt reduction-~~ feeglobal adjustment charge, transmission tariffs, etc.)

- Amount cleared but not settled for virtual transactions:

This is the amount of energy **scheduled for virtual transactions** over the most recent six days that has not yet been settled. This amount is calculated using the applicable ~~Ontario-wide~~ day-ahead and real-time Virtual Zonal Prices and for the most recent day-ahead outcomes, the applicable Virtual Zonal Price Delta values as described in Market Manual 5.4, Section 5.3.

- Amount of prepayments on account:-

This is the amount of funds submitted ahead of the invoice cycle to reduce your actual exposure. If you conduct both physical and virtual transactions and are submitting a prepayment, you will have the option of allocating your prepayment amount to reduce your actual exposure applicable to either your physical and/or virtual exposures. Virtual-specific exposure amounts are one input into the virtual transaction daily screening for the day-ahead market. You can identify how to allocate the prepayment when submitting your Notice of Prepayment to us.

### 5.16.1 Global Adjustment

The global adjustment is the difference between the total payments made to certain contracted or regulated generators and demand management projects, and any offsetting market revenues. The adjustment may be positive or negative and appears as a debit or a credit on your monthly invoice. The global adjustment component in the actual exposure calculation is only applicable to your physical transaction activities.

When the global adjustment is a credit, including it in your daily actual exposure reduces your daily actual exposure. If the global adjustment is a debit, including it increases your daily actual exposure.

Please note that we use the estimated global adjustment amount, which may be different from the actual global adjustment amount that appears on your monthly invoice.

~~Customers with an average peak demand over five megawatts (MW) during a defined Base Period will be considered 'Class A' customers. The monthly GA amounts for these customers will be based on their coincident peak demands. This change is a result of Regulation 398/10 amending Regulation 429/04.~~

~~GA amounts for 'Class A' customers will now be based on the percentage that their peak demand contributes to overall system demand during the five peak hours of a defined Base Period.~~

~~For 'Class A' customers, we will adjust the Estimated Energy Price which is used to determine the amount of prudential support required as follows:~~

$$\text{(Average RPP — RPP GA) + [(Total GA * PDF) / Estimated Annual Consumption]}$$

~~As defined:-~~

~~Average RPP is the Ontario Energy Board's estimate of Average Supply Cost for RPP Consumers (\$ / MWh).~~

~~RPP-GA is the Impact of the Global Adjustment (\$ / MWh) on the Average Supply Cost.~~

~~Total GA is Ontario Energy Board's estimate of the total annual Global Adjustment cost.~~

## 6 Calculating Your Actual Exposure

~~PDF is the Peak Demand Factor assigned to each 'Class A' customer based on their five coincident peak demands.~~

~~Estimated Annual Consumption is the estimated annual electricity consumption for the customer~~

## 6.7 Margin Calls

Your (the Market Participant's) actual exposure represents the size of your debt in the marketplace. Your trading limit represents your credit limit.

### ~~6.17.1~~ Credit Margin Warning

If your actual exposure (a combined amount if you conduct both physical and virtual transactions) reaches 70% of your trading limit (also a combined amount if you conduct physical and virtual transactions), we (the IESO) will issue you a warning. A generic email notification is sent to you and you your Prudential Requirements Contact, who must log in to the Prudential Manager in the IESO Portal Gateway to view the warning details (see Appendix BA). If you receive a warning, you may wish to make a prepayment to reduce your actual exposure, or you may take other action to ensure that your actual exposure does not reach your trading limit. (You are not required to do this.)

### ~~6.27.2~~ Margin Call

If your actual exposure equals or exceeds your trading limit (combined if you conduct physical and virtual transactions), we will issue you a margin call requiring you to bring your actual exposure back within acceptable limits. A generic email notification is sent to ~~you and you~~ your Prudential Requirements Contact, who must log in to the Prudential Manager in the IESO Portal Gateway to view the margin call details (see Appendix BA). For participants that conduct virtual transactions, upon issuance of a margin call notice we will reject subsequent virtual bids and offers for virtual transactions until the margin call is satisfied.

- To satisfy a margin call, you must pay a portion of the amount owed so that your actual exposure is no higher than 75% of your trading limit. (We do not pay interest on these payments.)
- You must make the payment by 4:00 p.m. on the second business day following the date of the margin call.

# 78 Market Participant Default and the Default Levy

There are circumstances where a Market Participant is considered to be in default. For example, this happens if the participant:

- Does not pay an invoice within the two-day remittance period,
- Does not provide the required prudential support within the specified time limits, or
- Does not satisfy a margin call.

Within two business days of the default, we (the IESO) may send the defaulting Market Participant a default notice or a notice of intent to begin suspension proceedings:

- If the participant does not remedy the default amount within the time specified in the notice, we may take action to suspend the defaulting Market Participant and recover the payment from the participant's posted prudential support
- Defaulting participants are also responsible for default interest, as well as any costs or expenses we incur because of their default

For the default notice a generic email notification is sent to ~~you and your~~ [Prudential Requirements Contact](#), who must log in to the Prudential Manager in the IESO [Gateway Portal](#) to view the details (see Appendix [AB](#)).

### 7.18.1 Default Levy

Keep in mind that we do not assume the debt in case of a payment default – instead we would issue a default levy to non-defaulting participants. If we cannot recover all of the default amount from the defaulting participant, we will issue a 'Notice of Default Levy' to all non-defaulting Market Participants who were active in the real-time markets at the time of the default. Under the default process:

- The 'Notice of First Default Levy' provides details about the default and the amount of the first levy. It includes an estimate of the amount of the second default levy, if one is necessary. We issue the notice at least 10 days before the first default levy is invoiced.
- The second default levy accounts for any outstanding amounts. We issue the notice of the second levy at least 10 days before the levy is invoiced.

## 89 Summary of Your Steps

- During the Market Participant market entry authorization process, provide and submit the required information through Online IESO <https://gateway.ieso.ca/> ~~<https://online.ieso.ca/>~~.  
If the submission is approved, you (the Market Participant) need to post your prudential support. Once we (the IESO) have received your prudential support, we will send you Prudential Requirements Contact an email notification advising you that the *Prudential Support Obligation – Schedule A* is available in the Prudential Support Obligation tab of the Prudential Manager in the IESO Portal Gateway site: <https://gateway.ieso.ca/> ~~<https://portal.ieso.ca/>~~.
- ~~For sellers with physical bilateral contracts: let us know if you wish to have the contract settled through the IESO settlement process.~~
- If you are an LDCa distributor claiming the LDC distributor prudential credit reduction:
  - Send us your affidavit showing the amount of collateral you have collected from your customers (use Form AFF\_0001).
  - Attach copies of bank statements showing any cash deposits and any letters of credit, guarantees, or Government of Canada T-bills you hold as prudential support.
- Keep us informed of any changes to your operations that might impact your Prudential Support Obligation.
- Submit any update to your self-assessed trading limit at least 7 days prior to the billing period to which you want it to apply.
- Monitor your posted prudential support for expiring or terminating securities or letters of credit.

### Summary

In the real-time electricity markets, we cannot recover the physical commodity if the buyer is unable to pay—the electricity has already been consumed. Because of this, participants in the IESO's day-ahead and real-time markets must provide collateral (called 'prudential support') to cover any amount that they might owe to the market if their company is unable to make a payment.

We determine the amount of collateral (called prudential support) you must post by considering information you provide about your expected energy injections and withdrawals, your estimated peak load, your expected net settlement amount (for non-metered participants), and your role in the market.

We may reduce the amount of your prudential support depending on your credit rating and your payment history, and the amount may also be increased or decreased if you have physical bilateral contracts that we settle.

The IESO does not assume the debt in case of a payment default—instead we would issue a default levy to non-defaulting participants. To avoid this happening, we monitor your actual exposure to ensure that it does not exceed a certain percentage of your posted prudential support—we may issue a margin call warning or a margin call if this happens.

### Additional information

For additional information about prudentials, please refer to:

Market Rules, Chapter 2

Market Manual 5.4

Prudentials Online: <http://www.ieso.ca/Online-IESO>

Your account manager at the IESO

# Appendix A

## 8.1 Price Basis Used to Determine Minimum Trading Limit and Default Protection Amount

The energy prices in this guide are for illustrative purposes only — they are based on the Ontario Energy Board's (OEB's) price forecasts under its regulated price plan (RPP):

- The energy price basis for distributors is the lower tier RPCMT1.
- The price for other market participants is the average RPP forecast by the OEB.
- We review the price basis annually. If there is a change of 15% or more from what we are currently using, we will change the basis for our prudential calculations.

## 8.2 Example:

### Assumptions:

- Base year is April Year 1 — price basis published in the OEB Price Report and established as the prices used by the IESO:
  - Distributors: RPCMT1 as reported by the OEB = \$55/MWh
  - All other market participants: RPP supply cost as reported by the OEB = \$58.95/MWh
- October Year 1 — Price basis published in the OEB Price Report:
  - Distributors: RPCMT1 as reported by the OEB = \$46.00/MWh
  - All other market participants: RPP supply cost as reported by the OEB = \$50.00/MWh
- April Year 2 — Price basis published in the OEB Price Report:
  - Distributors: RPCMT1 as reported by the OEB = \$60.00/MWh
  - All other market participants: RPP supply cost as reported by the OEB = \$63.00/MWh

## 8.3 Case 1:

Applicant XYZ Company, a metered market applicant who is a non-distributor, applies to become a market participant on October 1, Year 1.

~~The price basis used in the IESO's calculation of the minimum trading limit and default protection amount is \$58.95/MWh, even though the October Year 1 price basis published in the OEB Price Report has changed by more than 15%.~~

~~This is because \$58.95/MWh was established as the price basis in April, Year 1 and is in effect until the next annual review which will occur in April, Year 2.~~

## 8.4 Case 2:

~~Applicant LDC Company, a metered market applicant who is a distributor, applies to become a market participant on November 1, Year 2.~~

~~The price basis used in the IESO's calculation of the minimum trading limit and default protection amount for this distributor is \$55.00/MWh.~~

~~Because the annual review in this example occurs in April of each year, we can compare the established price basis to the current OEB forecast:~~

- ~~• First, we must identify the 15% price range to determine if the IESO established price basis should change.~~
- ~~• The price range is determined using the established price basis of \$55.00/MWh from April Year 1 and is \$63.25/MWh to \$46.75/MWh.~~
- ~~• We will change the price basis only if the price is equal to or greater than the higher end of the range, or equal to or lesser than the lower end of the range.~~

~~In this case, the RPCMT1 price basis published by the OEB in April Year 2 is \$60.00/MWh, falling within the 15% price range. Therefore, our price basis will remain at the \$55.00/MWh price established in April Year 1.~~

# Appendix A. ~~Appendix B~~ – Accessing Prudential Information using Prudential Manager

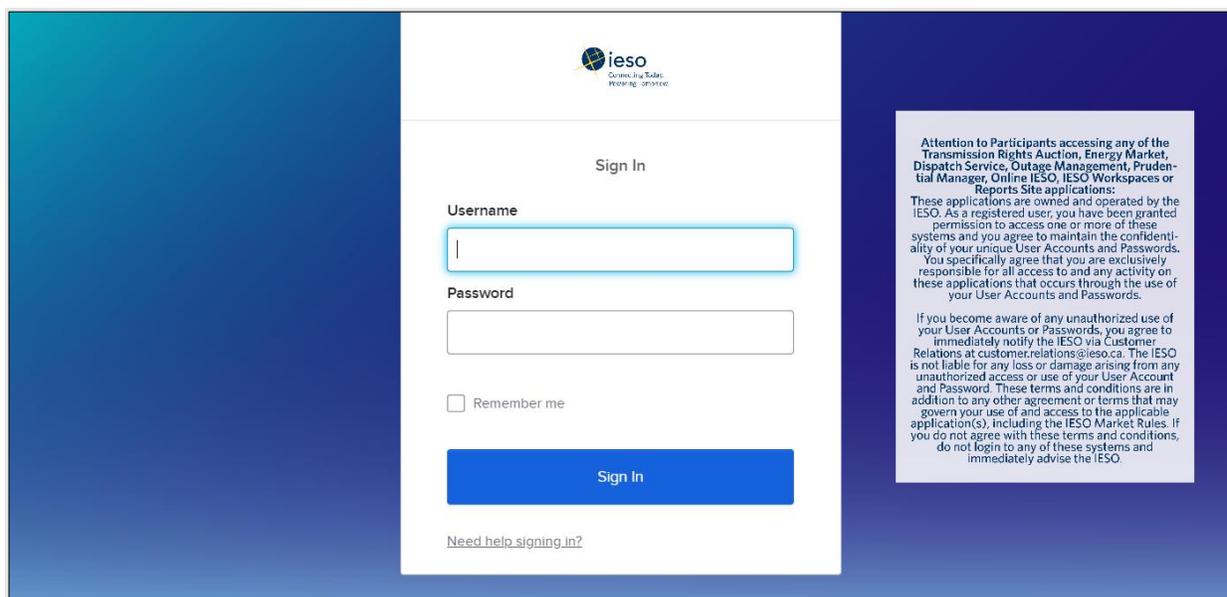
## Appendix A.1 Logging In

**Note to Readers:** ~~Some of the screenshots in this Appendix have not yet been updated to the new MRP applications for MRP, and thus should not be relied upon by readers. This Guide to Prudentials will be updated with revised screenshots once they become available. Also, this Appendix does not yet fully reflect the new aspects of Prudential Manager related to Virtual Energy Trader Transactions.~~

~~Once an account is created for you (the Market Participant) by us (the IESO), you will receive an activation e-mail with a link that you can click on in order to activate your account on the IESO Gateway.~~

~~Further information on how to activate your account is available in the IESO Gateway User Guide at: <https://www.ieso.ca/-/media/Files/IESO/Document-Library/training/IESO-Gateway-User-Guide.pdf>~~

~~If your account is already activated, go to the Portal Gateway web page: <https://gateway.ieso.ca/>:- <https://portal.ieso.ca>. Enter the **Username** and **Password** supplied by the IESO and click **Sign In** Click on **Log In**.~~



~~Enter the **User Account Name** supplied by the IESO and click **Continue**:~~

[Return to IESO Portal Welcome Page](#)



Power to Ontario. On Demand.

**Sign In with User Account Name and Password**  
Enter your User Account Name.

User Account Name:

**Links:**

- [Where do I enter my password?](#)
- [Log In Tips](#)
- [Forgot User ID?](#)
- [Forgot User ID/Password?](#)
- [Not a registered user?](#)

**For Assistance:**  
Contact IESO Customer Relations  
Tel: 905-403-6900  
Toll-Free: 1-888-448-7777  
Fax: 905-403-6921  
E-mail: [customer.relations@ieso.ca](mailto:customer.relations@ieso.ca)

**Attention to Market Participants accessing the Transmission Rights Auction and Energy Market, Outage Management and Settlement Forms applications:** This portal is owned and operated by the IESO, and all use of this portal is governed by the IESO's market rules. As a registered Market Participant, you have received a unique and confidential User Account and Password from the IESO to access this portal and you agree to maintain their confidentiality by sharing them with only your authorized representative(s). You specifically agree that you are exclusively responsible for all access to and any activity on this portal that occurs through the use of your User Account and Password. If you become aware of any unauthorized use of your User Account or Password, you agree to immediately notify the IESO. The IESO is not liable for any loss or damage arising from any unauthorized access or use of your User Account and Password. If you do not agree with these terms and conditions, do not login to this portal and immediately advise the IESO.

Copyright IESO 2013: Contact the IESO Portal Administrator for technical questions or feedback.

Type your **Password** and click **Enter**:



Return to IESO Portal Welcome Page

**ieso**  
Power to Ontario. On Demand.

**Sign In:**  
Please type your password and then click on the "enter" button.

Password:

**ieso**  
Power to Ontario.  
On Demand.  
29/01/2013 16:21 (EST)

**enter**

**Links:**

- [Where do I enter my password?](#)
- [Log In Tips](#)
- [Forgot User ID?](#)
- [Forgot User ID/Password?](#)
- [Not a registered user?](#)

**For Assistance:**  
Contact IESO Customer Relations  
Tel: 905-403-6900  
Toll-Free: 1-888-448-7777  
Fax: 905-403-6921  
E-mail: [customer.relations@ieso.ca](mailto:customer.relations@ieso.ca)

**What's this?**  
[Forgot your password?](#)

**Attention to Market Participants accessing the Transmission Rights Auction and Energy Market, Outage Management and Settlement Forms applications:** This portal is owned and operated by the IESO, and all use of this portal is governed by the IESO's market rules. As a registered Market Participant, you have received a unique and confidential User Account and Password from the IESO to access this portal and you agree to maintain their confidentiality by sharing them with only your authorized representative(s). You specifically agree that you are exclusively responsible for all access to and any activity on this portal that occurs through the use of your User Account and Password. If you become aware of any unauthorized use of your User Account or Password, you agree to immediately notify the IESO. The IESO is not liable for any loss or damage arising from any unauthorized access or use of your User Account and Password. If you do not agree with these terms and conditions, do not login to this portal and immediately advise the IESO.

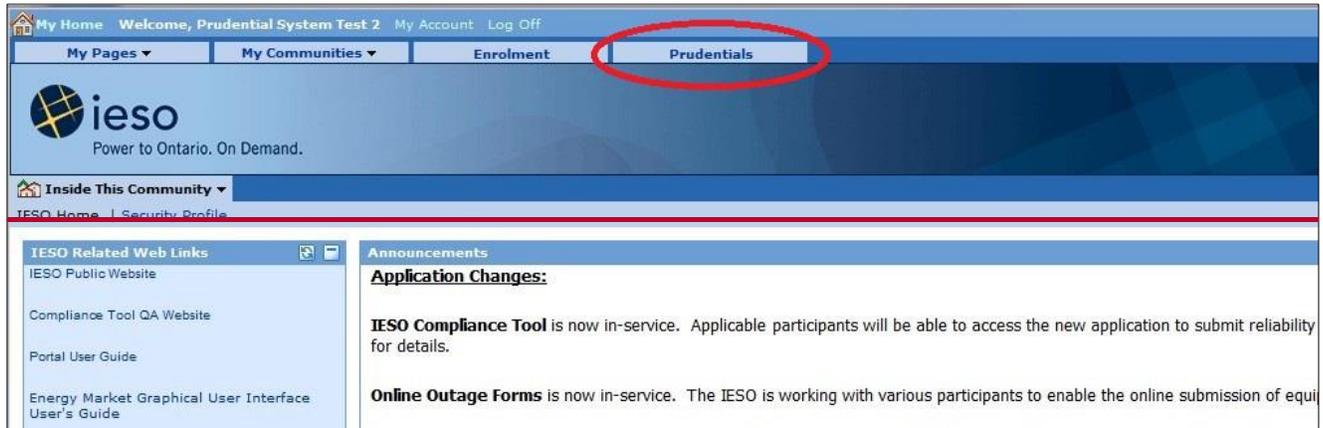
Copyright IESO 2013: Contact the IESO Portal Administrator for technical questions or feedback.

~~If you use an IESO-supplied password to log in, you will be prompted to create a new password, known only to you. Follow the instructions on the screen to complete this step. You will also be asked to set up a Security Profile (this is a mandatory step, beginning in Sandbox on February 24 and in Production on March 6, 2013). Follow the prompts on the screen.~~

~~Further information is available in the Guide to the IESO Portal is found at:  
<http://www.ieso.ca/Documents/training/portal.pdf>~~

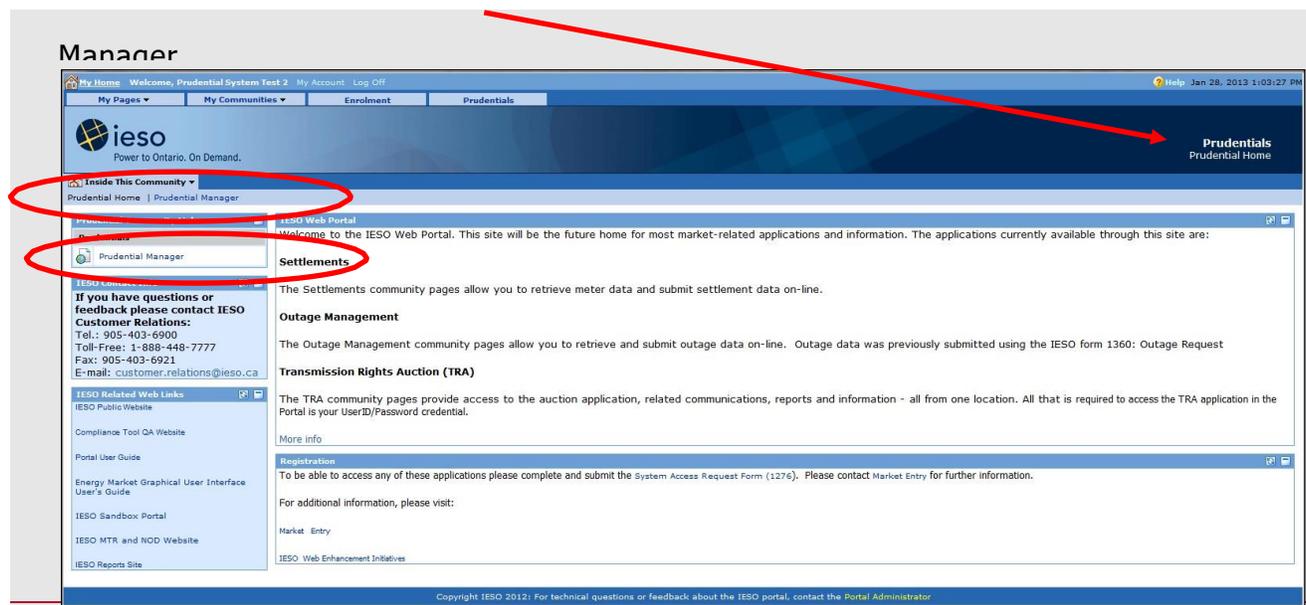
## Appendix A.2 Access the Prudentials community and Prudential Manager

After logging in, click on the Prudentials community tab at the top of the IESO Web Portal Welcome page:



If you do not see the Prudentials community tab, please contact IESO Customer Relations for assistance. You will be required to submit Form 1276 to gain access.

The page will now be titled **Prudentials**. Click on one of the links to the **Prudential**



The first page of the **Prudential Manager** will launch in a new web browser tab.†

Choose your company by clicking on the correct name in the **Select a Market Participant** drop-down menu. You will only see multiple options if you are the Prudential Requirements Contact for more than one Market Participant.

Click on Prudential Manager to continue.



You will see the name of your company displayed at the top of the page, along with **98** Prudential Manager tabs (you can only view the information in one tab at a time):



The tabs are:

- **Estimated Net Exposure:** Information about estimated net exposure is included, based on real-time settlement data provided on a daily basis and estimates made by us. For participants that conduct physical and virtual transactions, an Estimated Net Exposure estimate will appear for each transaction type.
- **Margin Call Warnings:** If your Estimated Net Exposure reaches 70% of your trading limit, a Margin Call Warning is issued. A generic email notification is sent, and the details are found in this tab.
- **Margin Calls:** If your Estimated Net Exposure equals or exceeds your trading limit, a Margin Call is issued. A generic email notification is sent, and the details are found in this tab.

Margin calls must be satisfied with a payment by 4:00 p.m. on the second business day following the date of the margin call. The Margin Call tab provides the ability to notify us of this prepayment.

- **Prudential Support Obligation:** The amount of physical and virtual (if authorized for both) Prudential Support that must be provided to us is detailed in this tab. This information is included for your reference.
- **Prudential Support Posted:** Details of the type and amount of Prudential Support provided to us to satisfy the Prudential Support Obligation are available here for your reference.
- **Prudential Support Reassessments:** A record of any changes to your Prudential Support Obligation is found here. If your obligation changes, you will be notified with a generic email that the details can be found in this tab.

Prudential Support Reassessments must be satisfied within five business days of the date the reassessment was issued.

- **Notification of Prepayments:** A record of the past 365 days of online Notification of Prepayments submitted to us is found here. This tab also provides the opportunity to submit the details of a new Notification of Prepayments.

*Please note that submitting the notification online does not complete the step of arranging the bank transfer to us.*

- **Default Notices:** There are circumstances where a Market Participant is considered to be in default of the Market Rules. In this instance, a default letter is issued, and the details are found in this tab. A record of any past default notices is also stored here.
- **Historical Activity:** Includes a record of the past 12 invoices and monthly physical and virtual transactions activity (if authorized for both).

## Appendix A.3 Prudential Manager Features

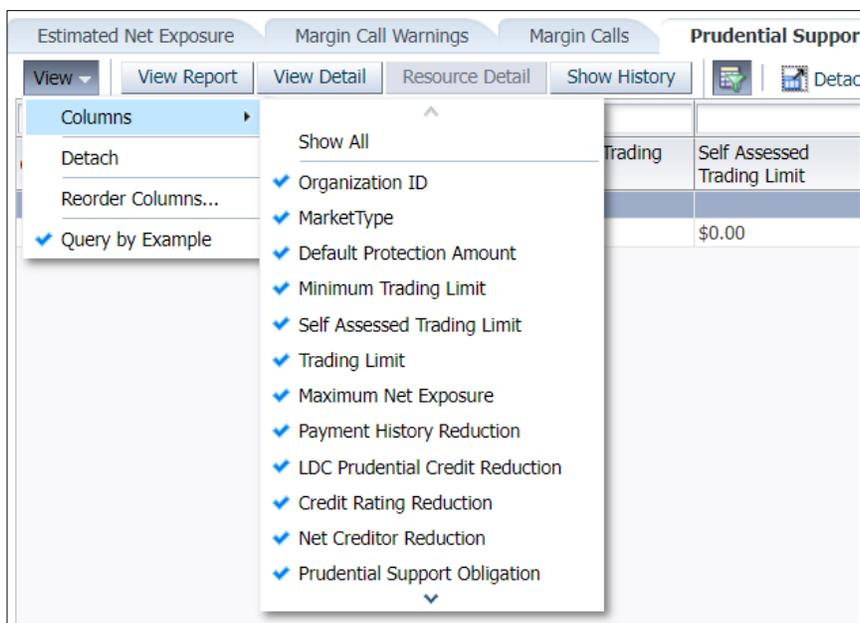
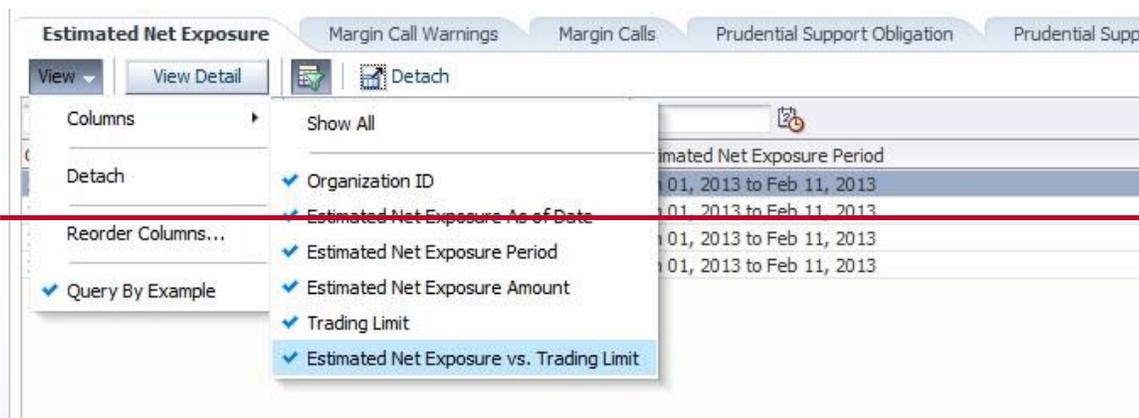
The tabs have several features in common. All have the ability to **view**, **detach**, **sort** and **search** the records, and some tabs also have the ability to **show history**, **view details**, **export** and **print** records.

This section details how to use these within features.

### View

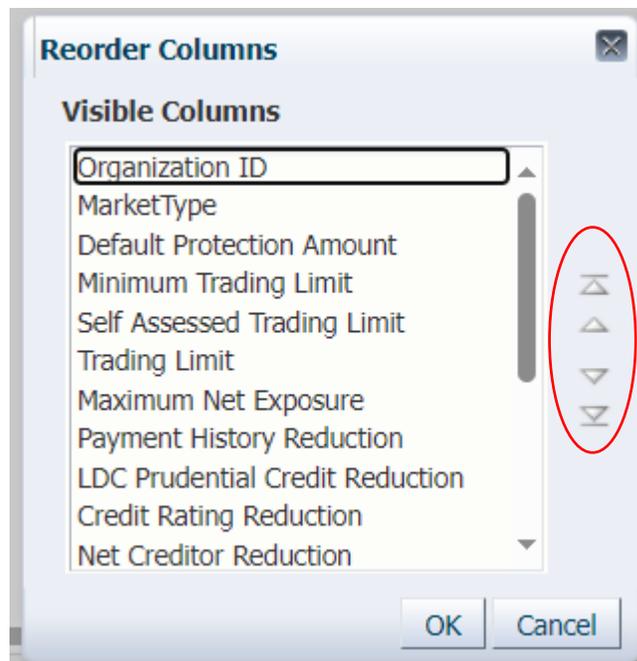
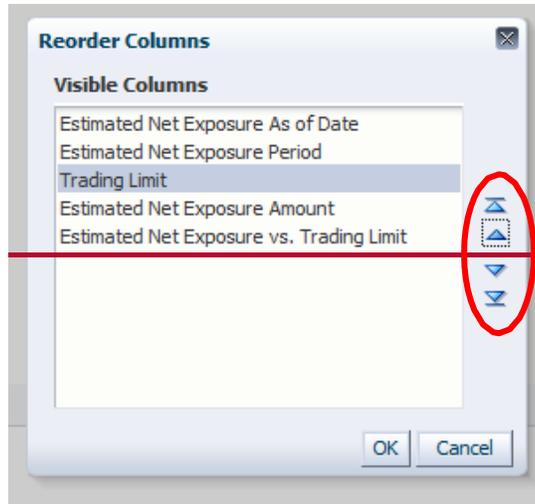
The **View** drop-down menu offers four options.

**Columns**, shown expanded in the image below, allows you to check or uncheck the columns you want to have visible in each tab:



**Detach** removes the frames around the tab and opens the information within its own window. This can be useful for printing the screen.

**Reorder Columns...** provides a window where the order of the columns can be rearranged. Select a column name, then click the up and down arrows in the pop-up box to change the order. Click OK to make changes to the tab view.

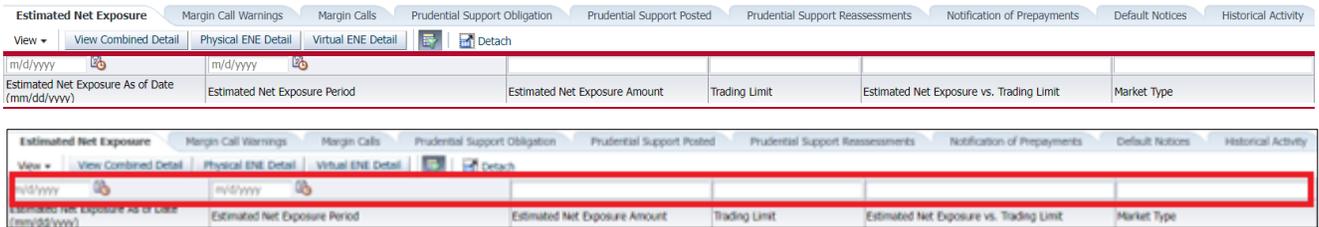


**Query by Example** displays the search boxes at the top of each column when it is check marked. Click on the Query by Example to uncheck it and remove the search boxes.

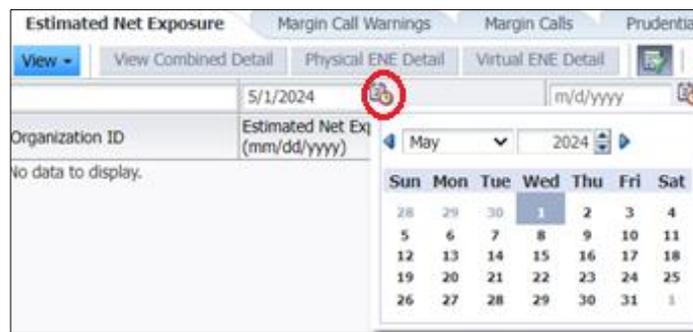
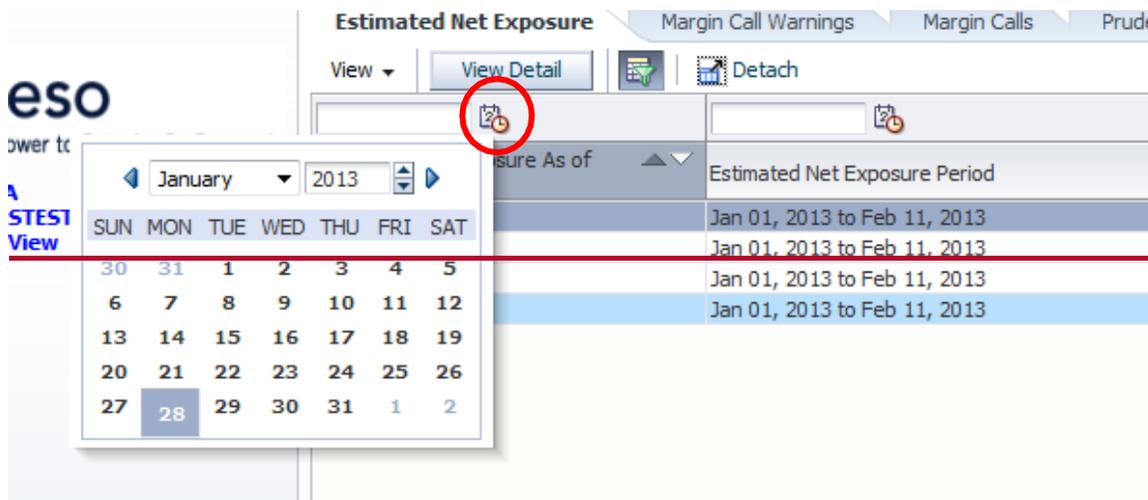
**Sort** Move the mouse over the headers of each column until up and down arrows appear. It is possible to click on these to sort the information in the column by ascending or descending order.

## Search Function

When **Query by Example** is selected, search boxes appear at the top of each column:



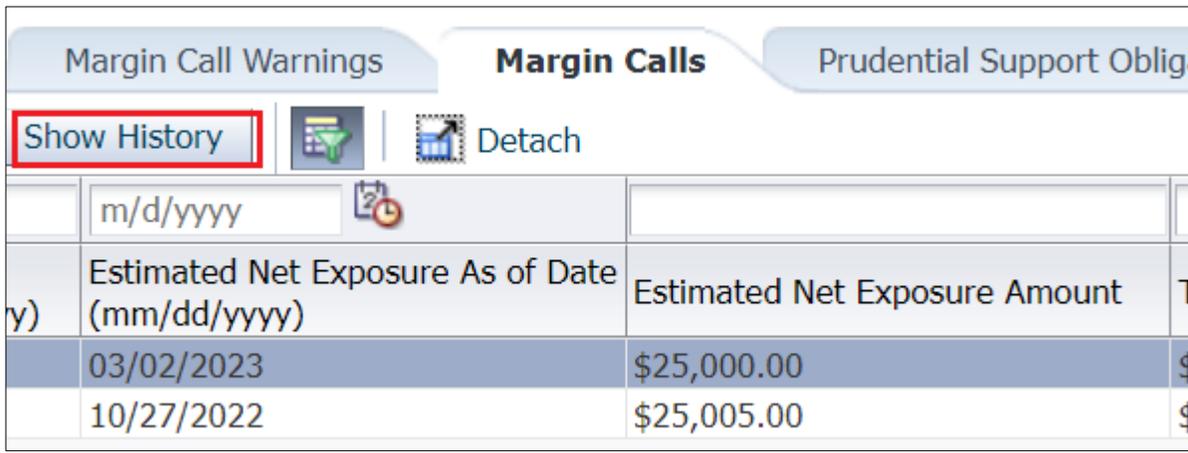
Click on the calendar and clock icon to view a pop-up calendar. Select a date and press the Return (Enter) key to search by date in the column. The search results will appear on the screen.



For columns without a calendar icon, type the search term you wish to find at the top of the particular column where you expect to find the record and press the Return (Enter) key to view the search results.

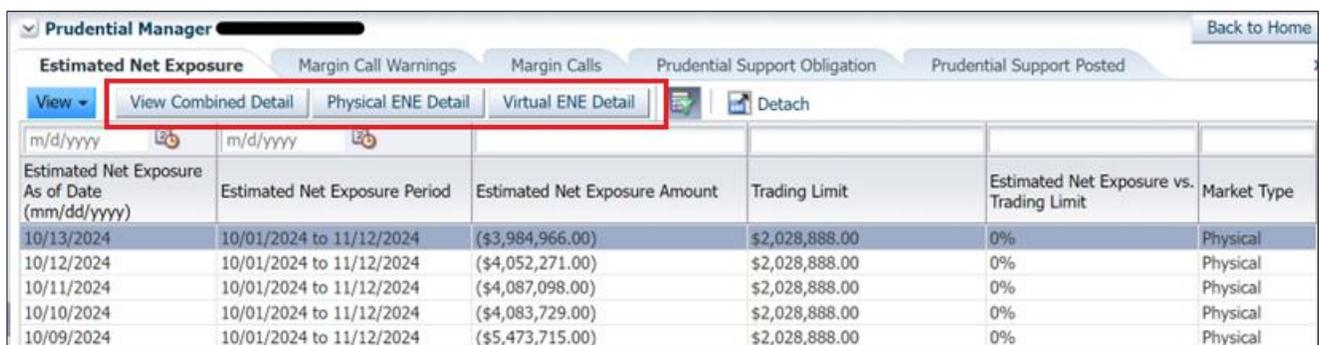
**Show History**

In some tabs, such as the **Margin Call Warning** and **Margin Call** tabs, only the most recent records will be displayed at first, even though 365 days' worth of records are available via Prudential Manager. To view and search all records, click on the **Show History** button:



**View Details**

In some tabs, there is more information associated with a record. In the **Estimated Net Exposure** tab, this information is accessed with the **View Combined Detail** button, the **Physical ENE Detail**, or the **Virtual ENE Detail** buttons, depending on whether the selected record is associated with the physical or virtual market type.



For the other tabs, the **View Report** button (found next to the View drop-down menu) is used. If the button is grayed out, it is not active. Either there is no data available to view, or there is no record selected.

To see more information, click on the record line that you want to view and then click the **View Report** button:



Notice Date (mm/dd/yyyy)	Estimated Net Exposure As of Date (mm/dd/yyyy)	Estimated Net Exposure Amount	Trading Limit	Estimated Net Exposure vs. Trading Limit	Minimum Payment Requ
10/01/2024	09/30/2024	\$2,693,697.00	\$2,028,888.00	133%	\$1,172,031.00

A pop-up window will show the details of your record.

### Export, Save and Print Details

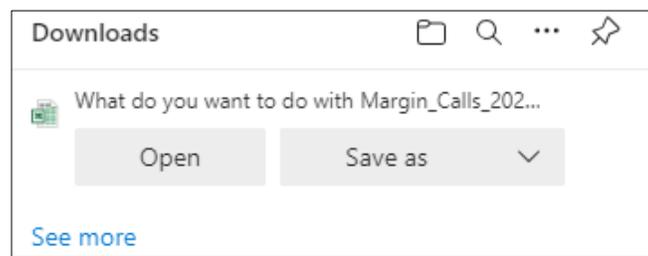
After you have clicked on **View Report**, the pop-up window containing details offers two options at the bottom-left corner of the page:



Clicking on **Cancel** will close the box (this can also be done by clicking the **X** at the top-right corner).

Clicking on **Export to Excel** will provide the same information in a similar format in an Excel file. You can then save or print this file from Excel, or copy the data for use in another spreadsheet or application.

After you click on **Export to Excel**, a confirmation box similar to the example below will appear:



Click on **Open** or **Save as** to see the file in Excel. ~~Cancel~~ Clicking on **X** will end the request.

Once the Excel file is created, it is possible to save the document in another format, such as PDF, or to print a copy.

## Appendix A.4 Submit a Notification of Prepayment

The **Notification of Prepayments** tab provides a record of all Notification of Prepayments that have been submitted to us through Prudential Manager in the past 365 days. Note that any prepayments made in the last year using a faxed paper form or email will not be shown in this tab.

Notifications of Prepayment are sent to us when you are going to process a payment to the IESO. You can also submit a Notification of Prepayment if you decide to make a prepayment on your own, without one having been requested by us.

### Make a Notification of Prepayment from an existing record

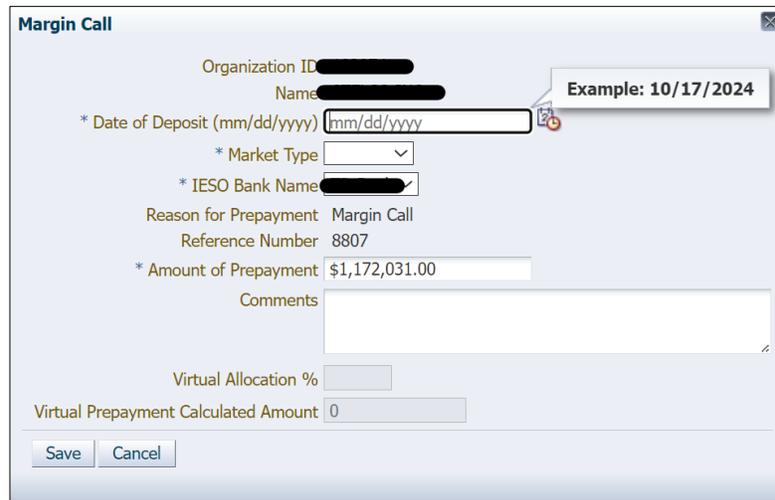
To notify us that you intend to make a payment for a specific **Margin Call**, you can use the **Notification of Prepayment** button located in the tab. Highlight the item that you would like to pay. The record will show the **Minimum Payment Required**. It can be changed in the **Notification of Prepayment** if you are paying a different amount. Another item to note is the **Margin Call Reference**, which is used consistently for any records related to this particular Margin Call.

	m/d/yyyy		
Minimum Payment Required	Payment Due Date (mm/dd/yyyy)	Status	Margin Call Reference
\$1,500.00	04/15/2023	Open	1768

When the correct item is highlighted, click on **Notification of Prepayment**.



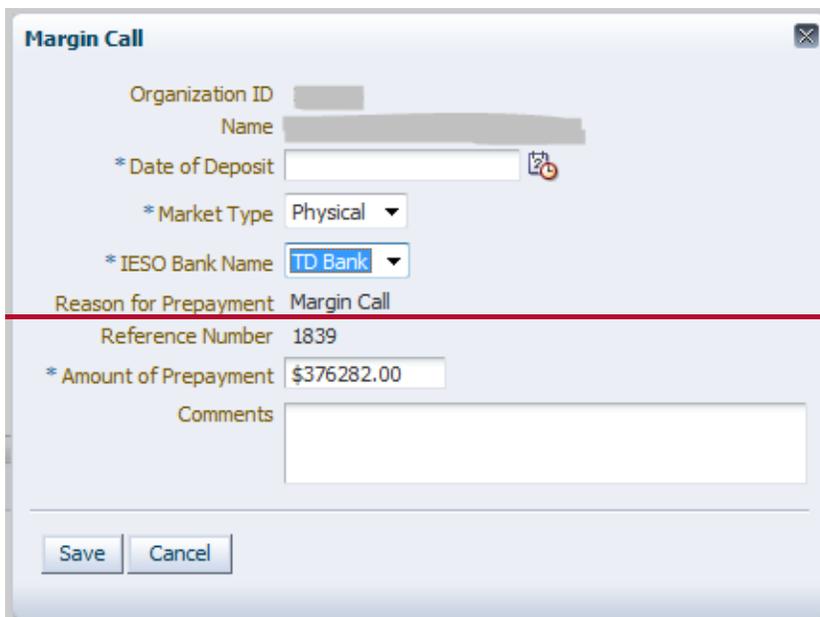
A pop-up box will appear, pre-populated with the details of the payment you are making. Mandatory fields are indicated with a \*. Ensure that each is filled in. The **Market Type** field will only show the markets you are authorized to conduct transactions in. If you are authorized to conduct both physical and virtual transactions, your prepayments can be allocated to either (or both) markets based on the allocations you specify in the Notification of Prepayment.



The screenshot shows a 'Margin Call' form with the following fields and values:

- Organization ID: [Redacted]
- Name: [Redacted]
- \* Date of Deposit (mm/dd/yyyy): [mm/dd/yyyy] (with a tooltip example: 10/17/2024)
- \* Market Type: [Dropdown]
- \* IESO Bank Name: [Dropdown]
- Reason for Prepayment: Margin Call
- Reference Number: 8807
- \* Amount of Prepayment: \$1,172,031.00
- Comments: [Text Area]
- Virtual Allocation %: [Input Field]
- Virtual Prepayment Calculated Amount: 0

Buttons: Save, Cancel



The screenshot shows a 'Margin Call' form with the following fields and values:

- Organization ID: [Redacted]
- Name: [Redacted]
- \* Date of Deposit: [Input Field]
- \* Market Type: Physical
- \* IESO Bank Name: TD Bank
- Reason for Prepayment: Margin Call
- Reference Number: 1839
- \* Amount of Prepayment: \$376282.00
- Comments: [Text Area]

Buttons: Save, Cancel

Click **Save** to submit the Notification of Prepayment information to us. Please note that submitting this notification online does not complete the step of arranging the bank transfer to us.

### **Initiate a Notification of Prepayment**

You may wish to make a prepayment without having been advised by us that a payment is required. To notify us of this payment, go to the **Notification of Prepayment** tab and click the **Create New** button.

A pop-up window will appear, with blank fields for you to complete.

Fill in each mandatory field (marked with a \*). To submit the notification, click **Save**. Remember that completing this step is separate from arranging the bank transfer to us.

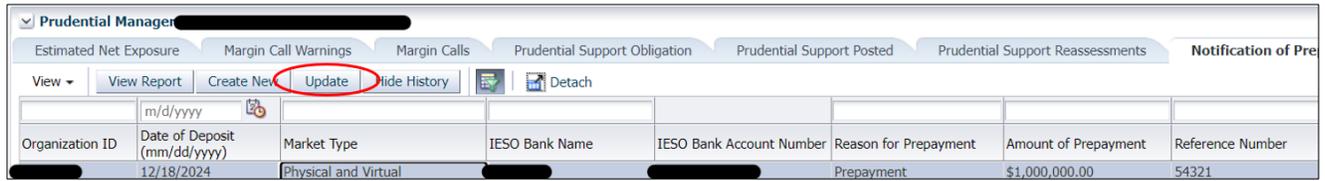
**View a Notification of Prepayment**

To view a **Notification of Prepayment** that you have submitted in Prudential Manager, click on the **Notification of Prepayments** tab. The notification will now be shown, with the **Reference Number** for the Margin Call:

Notification of Prepayment							
Organization ID	Date of Deposit (mm/dd/yyyy)	Market Type	IESO Bank Name	IESO Bank Account Number	Reason for Prepayment	Amount of Prepayment	Reference Number
[Redacted]	12/18/2024	Physical and Virtual	[Redacted]	[Redacted]	Prepayment	\$1,000,000.00	54321
Date of Deposit (mm/dd/yyyy)	Market type	IESO Bank Name	IESO Bank Account Number	Reason for Prepayment	Amount of Prepayment	Reference Number	
03/23/2023	Virtual	[Redacted]	[Redacted]	Margin Call	\$1,500.00	1768	

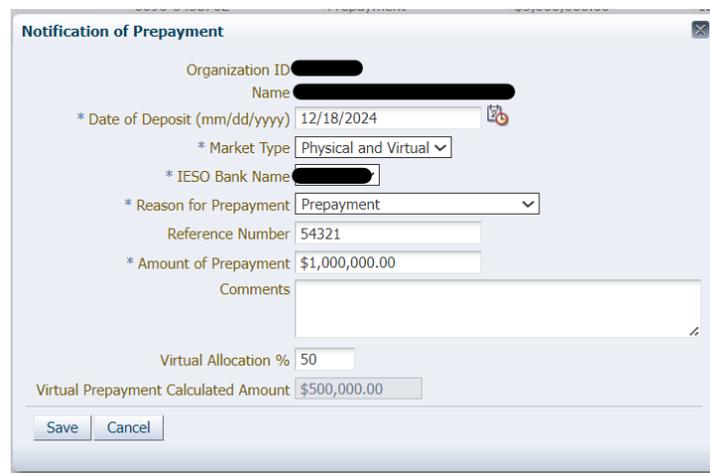
### Modify a Notification of Prepayment that has been submitted

You can modify a **Notification of Prepayment** that has been submitted, if the date is in the future. To edit the notification, click **Update** to see a new pop-up window. If you can no longer make changes, the **Update** button will be grayed out.



Organization ID	Date of Deposit (mm/dd/yyyy)	Market Type	IESO Bank Name	IESO Bank Account Number	Reason for Prepayment	Amount of Prepayment	Reference Number
[REDACTED]	12/18/2024	Physical and Virtual	[REDACTED]	[REDACTED]	Prepayment	\$1,000,000.00	54321

Make any necessary changes and click **Save**. The edited record will show in the tab.



**Notification of Prepayment**

Organization ID [REDACTED]  
 Name [REDACTED]  
 \* Date of Deposit (mm/dd/yyyy) 12/18/2024  
 \* Market Type Physical and Virtual  
 \* IESO Bank Name [REDACTED]  
 \* Reason for Prepayment Prepayment  
 Reference Number 54321  
 \* Amount of Prepayment \$1,000,000.00  
 Comments  
 Virtual Allocation % 50  
 Virtual Prepayment Calculated Amount \$500,000.00

Save Cancel

## Appendix A.5 Log Off

To log off Prudential Manager, close all windows and additional browser tabs opened during the session. When these are all closed, click on Log Off to go to the [IESO Gateway Portal](#) log off page.



## Appendix B. - Additional Information

### Where can you find additional information about prudentials?

If you need additional information about your prudential support or the IESO [GatewayPortal](#), please refer to:

- [Market Rules Chapter 2: Participation](#)
- [Market Manual 5.4: Prudential Support](#)
- [Guide to the IESO Gateway User GuidePortal](#), available on the [Participant Tool Training](#) webpage
- Prudentials Online: <http://www.ieso.ca/Online-IESO>

**Note to Readers:** As of ~~Prior to~~ the launch of Market Renewal, the above links will be documents related to the postre-MRP market. During that time, MRP versions of the above documents will be available on the IESO's alternate webpages for MRP-related training and ~~market rulesrenewed~~ market rules library. Meanwhile, pre-MRP market rules and manuals can be found on the Legacy Library webpage.

### For more information or assistance, please contact IESO Customer Relations:

Telephone (905) 403-6900

Toll Free 1-888-448-7777

[IESOCustomerRelations@ieso.ca](mailto:IESOCustomerRelations@ieso.ca)

[www.ieso.ca](http://www.ieso.ca)