



Market Rule Amendment Submission

This form is used to request an amendment to, or clarification of, the *Market Rules*. Please complete the first four parts of this form and submit the completed form by email or fax to the following:

Email Address: Rule.Amendments@ieso.ca

Fax No.: (416) 506-2847 Attention: Market Rules Group

Subject: Market Rule Amendment Submission

All information submitted in this process will be used by the *IESO* solely in support of its obligations under the *Electricity Act, 1998*, the *Ontario Energy Board Act, 1998*, the *Market Rules* and associated policies, standards and procedures and its licence. All submitted information will be assigned the *confidentiality classification* of “Public” upon receipt. You should be aware that the *IESO* will *publish this amendment submission* if the *Technical Panel* determines it warrants consideration and may invite public comment.

Terms and acronyms used in this Form that are italicized have the meanings ascribed thereto in Chapter 11 of the *Market Rules*.

PART 1 – SUBMITTER’S INFORMATION

Please enter contact information in full.	
Name: <u>IESO Staff</u>	
(if applicable) <i>Market Participant / Metering Service Provider</i> No. ¹ : <u>N/A</u>	<i>Market Participant Class</i> : <u>N/A</u>
Telephone: _____	Fax: _____
E-mail Address: _____	

PART 2 – MARKET RULE AMENDMENT SUBMISSION INFORMATION

Subject: <u>Settlements</u>	
Title: <u>Aggregating Contracted Ancillary Services Settlement Information</u>	
Nature of Request (please indicate with x)	
<input checked="" type="checkbox"/> Alteration	<input type="checkbox"/> Deletion
<input type="checkbox"/> Addition	<input type="checkbox"/> Clarification
Chapter: <u>9</u>	Appendix: _____ Sections: <u>6.5</u>
Sub-sections proposed for amending/clarifying: <u>6.5.3.11</u>	

¹ This number is a maximum of 12 characters and does not include any spaces or underscore.

PART 3 – DESCRIPTION OF THE ISSUE

Provide a brief description of the issue and reason for the proposed amendment. If possible, provide a qualitative and quantitative assessment of the impacts of the issue on you and the *IESO-administered markets*. Include the Chapter and Section number of the relevant *market rules*.

The current market rules obligate the IESO to indirectly disclose commercially-sensitive information regarding contracted ancillary service contracts. Contracted ancillary services include regulation, black start capability, voltage control and reactive support, and emergency demand response load. These market rules are:

- Ch 9 section 6.5.3.1 which obligates the IESO to specify on each market participant's settlement statements, the participant's allocated quantities of energy withdrawals.
- Ch 9 section 6.5.3.11 which obligates the IESO to specify on each market participant's settlement statements, "the total of each type of *contracted ancillary service* charges, and the *market participant's* share of these".
- Ch 7 section 9.8.: obligates the IESO to publish certain information regarding contracted ancillary services e.g. total actual and forecasted quantities, total aggregate actual annual costs. This information is published on the IESO web site at:

<http://www.ieso.ca/imoweb/marketdata/AncilSrvContracts.asp>

Since market commencement, the total costs for contracted ancillary services have been averaging approximately \$50 million per year which is ~0.5% of the total physical market charges.

Section 9.8 also obligates the IESO to keep commercial terms and conditions of such contracts confidential unless the contracts have been obtained in the presence of market power. Where contracts have been obtained in the presence of local market power, the IESO must disclose relevant terms and conditions of the contract, but not the price. These market rule provisions, which came from the Market Design Committee, were developed in recognition of the likelihood of a dominant supplier for some contracted ancillary services and were intended to encourage competition for those ancillary services.

The IESO also provides each market participant with the total market allocated energy withdrawal quantities in order to facilitate participant verification of settlement amounts.

From this settlement and published information, a market participant would, at a minimum, be able to determine the following:

1. the total amount paid for each contracted ancillary service, and if there is only one provider of a contracted ancillary service, the value of the contract for that service; and
2. the unit price (\$/MW) paid for certain contracted ancillary services.

In addition, if there are two providers of a contracted ancillary service, and recognizing that all market participants with physical facilities typically have some allocated energy withdrawals that attract uplift charges during a billing period, the providers would be able to determine the amounts paid to each other for that contracted ancillary service.

There is an apparent conflict within the market rules. The IESO is obligated to provide information to market participants that has the effect of indirectly disclosing information that the IESO is obligated to

PART 3 – DESCRIPTION OF THE ISSUE

keep confidential e.g. price.

In addition, although there has been no evidence to date that the indirect disclosure has affected contracted ancillary service procurement, IESO staff believe that it may do so in the future as other potential providers enter the procurement process. For example, a potential contracted ancillary service provider may use the information provided by the IESO to commercial advantage over an existing provider.

PART 4 – PROPOSAL (BY SUBMITTER)

Provide your proposed amendment. If possible, provide suggested wording of proposed amendment.

The market rules should be amended to obligate the IESO to provide sufficient settlement information to participants:

- to identify and verify settlement amounts for contracted ancillary services;
- encourage competition for the provision of contracted ancillary services; and
- to protect the commercially-sensitive information of contracted ancillary service providers.

These objectives can be met by making the following amendments to section 6.5.3.11 of chapter 9 of the market rules:

- for suppliers of contracted ancillary services, their settlement statements would specify their payments for each contracted ancillary service. Specifying individual payments is necessary so that the suppliers can verify the individual settlement amounts against their contract(s);
- for all market participants, their settlement statements would specify the aggregated market total contracted ancillary service uplift charge (i.e. the sum of all the contracted ancillary service uplift charges) as well as the participant's share of that aggregated total. The aggregated total charge is the sum of all the individual contracted ancillary service uplift charges. Aggregating these charges will not allow participants to determine information regarding individual contracted ancillary services.

The IESO would continue to:

- Provide the participant's allocated quantity of energy withdrawals as well as the total market's allocated energy withdrawals so that participants can verify their settlement amounts; and
- Publish the information required under section 9.8 of chapter 7, as publication of this information is intended to encourage competition.

PART 5 – FOR IESO USE ONLY

Technical Panel Decision on Rule Amendment Submission:

MR Number: MR-00301

Date Submitted to *Technical Panel*: 19 October 05

Accepted by *Technical Panel* as: (please indicate with x)

Date:

General Urgent Minor

25 October 05

Criteria for Acceptance:

1. It identifies and error or inconsistency within the market rules. The existing obligations on the IESO to provide settlement information and publish other information related to contracted ancillary service are inconsistent with the obligation on the IESO to not disclose prices of contracted ancillary services.
2. It identifies means to better enable the market to satisfy the market design principle of transparency. This principle states “The market should be as simple and transparent as feasible and should promote timely, non-discriminatory release of non-confidential market and system information to all market participants.....Market participants should have access to market and system information necessary to enable them to fulfill their licenced role in the market, to make investment decisions and to participate in the market process fairly, while recognizing the legitimate needs of market participants to protect commercially-sensitive information”. The suggested changes to the market rules will protect commercially-sensitive information related to contracted ancillary service contracts. Although there has been no evidence to date that the indirect disclosure has affected contracted ancillary service procurement, IESO staff believe that it may do so in the future as other potential providers enter the procurement process.

Priority: Low

PART 5 – FOR IESO USE ONLY

Criteria for Assigning Priority:

1. The indirect disclosure of the commercially-sensitive information affects only a limited set of market participants i.e. current and potential contracted ancillary service providers. The total size of the contracted ancillary services payments is approximately \$50 million per year, which is small (0.5%) relative to the total physical market charges of \$10 billion. None of the current providers of contracted ancillary service providers have identified the indirect disclosure of information as an issue. The IESO has seen no evidence to date that the indirect disclosure has affected contracted ancillary service procurement.
2. There may be a number of alternative and feasible means to address the identified issue besides the one suggested in the attached submission. Others possible solutions include:
 - not including total market uplift costs for contracted ancillary services on individual participant settlement statements, or
 - aggregating all ancillary service uplift charges (contracted and operating reserve).

If the identified issue is not addressed, it is conceivable that a contracted ancillary service provider may take action against the IESO regarding the indirect disclosure of the participant's commercially-sensitive information.

Not Accepted (please indicate with x):

Clarification/Interpretation Required (please indicate with x):

Technical Panel Minutes Reference: IESOTP 171-1

Technical Panel Comments:

The Panel recognizes the conflict within the market rules regarding the IESO obligations to provide and protect information related to contracted ancillary services. The Panel believes that the existing distinction regarding information released for contracted ancillary services obtained in the presence of market power must be maintained. The Panel also believes that, as a general principle, providing “more” information rather than “less” information to a market is preferable in order to encourage competition and spur innovation.