



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>Barry Green</u>	
(if applicable) <i>Market Participant / Metering Service Provider No.</i> ¹ : _____	<i>Market Participant Class</i> : _____
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PART 2 – MARKET RULE AMENDMENT SUBMISSION INFORMATION

Subject: <u>Reliability</u>	
Title: <u>Review of New Reliability Standards</u>	
Nature of Request (please indicate with x)	
x Alteration	<input type="checkbox"/> Deletion
<input type="checkbox"/> Addition	<input type="checkbox"/> Clarification
Chapter: <u>5</u>	Appendix: _____ Sections: <u>3.6.2</u>
Sub-sections proposed for amending/clarifying: _____	

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 IESO market rules provide that all NERC, NPCC and IESO reliability standards are to be automatically adopted in Ontario once passed by the respective reliability authority. This has the effect of making compliance with these rules mandatory. In most other parts of North America compliance with standards has been voluntary.

Once NERC is certified and acting as the Electric Reliability Organization (ERO) for North America, the incorporation of new or revised NERC reliability rules as well as many of those developed by NPCC, will follow an amended process. Once the proposed rule (including those proposed by NPCC) is approved by the NERC Board of Trustees it will be submitted to FERC and the regulators in all appropriate Canadian provinces. Each regulator will have the ability to approve or remand the proposed standard. Once approved by all regulators it will become mandatory in all jurisdictions. If remanded by any regulator, NERC will work to amend the standard to meet the identified requirements of the regulators.

OPG understands that the Ministry of Energy will endorse NERC as an Electric Standards Authority for Ontario. OPG further understands that the OEB has taken the position that under current legislation, it does not have the jurisdiction to remand a proposed reliability standard. Therefore, unless an alternative mechanism is developed as proposed in this market rule, new reliability standards will have no regulatory review in Ontario and there will be no opportunity for remand by an Ontario regulator prior to adoption as a mandatory reliability standard. This is true even if the standards do not work as intended in the Ontario context or have other unintended consequences. Further, once adopted, market participants will be subject to financial penalties for non-compliance in relation to the standard, penalties which based on the changes proposed in Market Rule MR-00284, could increase significantly.

Such a scenario is even more problematic given that all current NERC standards are currently being reviewed in detail by FERC with a high likelihood that FERC will condition its approval of some of them on their being strengthened, either immediately or in the very near future. It is also likely that FERC's review could lead to an identification of what FERC perceives as reliability gaps that NERC will be expected to fill on a priority basis. As a result of these FERC actions, it is likely that the current suite of NERC standards that are now mandatory in Ontario, could be changed substantially to meet FERC requirements in the very near future. Unless the proposed market rule is adopted, these revisions will automatically apply to Ontario market participants.

OPG is supportive of several initiatives proposed by the IESO to improve participation by Ontario entities in NERC's standards drafting process. These will help to mitigate the risks faced by Ontario entities. However, there is still a critical gap in Ontario that will not exist elsewhere. If Ontario-based entities are unable to wield sufficient influence in the NERC drafting process the new or revised standards would be adopted in Ontario, on a mandatory basis, without any opportunity for regulatory review or remand to deal with Ontario-specific issues or concerns. Should market participants wish to seek such a remand in the current structure, they would have to do so in other jurisdictions, such as before FERC.

Without the benefit of a local review, it is inappropriate for new or amended standards to "automatically" be incorporated into Ontario's market rules. As a result of the proposed amendment all

PART 3 – DESCRIPTION OF THE ISSUE

new or revised reliability standards would require a separate market rule amendment in order to become part of the Ontario market rules, although it may be appropriate that for this subset of market rule changes that an expedited process be developed. As a result, any such amendment to the reliability standards will get presented to the OEB following approval by the IESO Board, and, as per existing OEB procedures for dealing with market rule amendments, there will be an opportunity for market participants to file submissions with the Board and recommend an OEB remand. OPG recognizes that procedurally such a remand will be to the IESO Board and not to NERC. Therefore there may be a need to separately establish procedures with NERC for such an eventuality. However, this would insure that a process will be in place by which standards will be subject to regulatory review in Ontario and not automatically adopted based on decisions of regulators in all jurisdictions of North America except Ontario.

PART 4 – PROPOSAL (BY SUBMITTER)

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

As discussed above, this proposal is intended to terminate the automatic inclusion of new reliability standards into the market rules following the establishment of the ERO on or about January 1, 2007. This proposed rule change would then result in the development of a new market rule to explicitly incorporate each new standard into the market rules and as a result there will be an opportunity for market participants to request an OEB remand.

Chapter 5 Section 3.6.2 Each *generator* shall carry out its obligations under this Chapter in accordance with all applicable *reliability standards* in effect on or about January 1, 2007

Chapter 5 Section 3.4.2 Each *transmitter* shall carry out its obligations under this Chapter in accordance with all applicable *reliability standards* in effect on or about January 1, 2007

Chapter 5 Section 3.5.3 Each *wholesale consumer* shall carry out its obligations under this Chapter in accordance with all applicable *reliability standards* in effect on or about January 1, 2007

Chapter 5 Section 3.7.2 Each *distributor* shall carry out its obligations under this Chapter in accordance with all applicable *reliability standards* in effect on or about January 1, 2007

PART 5 – FOR IESO USE ONLY

Technical Panel Decision on Rule Amendment Submission: Warrants consideration

MR Number: MR-00326

Date Submitted to *Technical Panel*: 10 Jan 07

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

Date:

General Urgent Minor

16 Jan 07

Criteria for Acceptance:

It identifies an IESO-controlled grid reliability concern. Without regulatory review and remand of new reliability standards, Ontario and its market participants may be subject to new reliability standards not appropriate to Ontario. Until legislated regulatory review and remand authority is established, an interim mechanism is required.

Priority: High

Criteria for Assigning Priority:

Any required changes can be implemented before new reliability standards can become effective.

Not Accepted (please indicate with x):

Clarification/Interpretation Required (please indicate with x):

Technical Panel Minutes Reference: IESOTP 196-1

Technical Panel Comments:

The Panel determined that there is a need for an interim remand mechanism until legislated regulatory remand authority can be established. Some Panel members supported the interim mechanism suggested by OPG in Part 4 of this submission, while other Panel members supported using the existing market rule exemption process as that interim mechanism. Further information on the use of the existing exemption process as that interim mechanism, as suggested by IESO staff, can be found in information provided to the Panel that is available on the IESO web site at the following location:

<http://www.ieso.ca/imoweb/pubs/tp2007/tp195-2a-MR-00326-Q00-Cover-Memo.pdf>

The Panel requests that stakeholders review this amendment submission and the information regarding the use of the existing exemption process and provide the Panel with feedback on:

1. Which interim mechanism do stakeholders believe is more appropriate, and why: the one suggested by OPG in this submission or the existing exemption process as suggested by the IESO?
2. What changes, if any, would be required, and why, to the interim mechanism preferred by the stakeholder?
3. Is there any other means or process (existing or new) that should be considered as the interim mechanism?
4. Are there any principles or factors that the Panel should consider in its determination of the appropriate interim mechanism?

