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## Market Rule Amendment Proposal

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### PART 1 – MARKET RULE INFORMATION

Identification No.:	MR-00335-R00		
Subject:	Market Administration		
Title:	Revisions to the Suspension, Termination, and Disconnection Provisions for Events of Default		
Nature of Proposal:	<input checked="" type="checkbox"/> Alteration	<input type="checkbox"/> Deletion	<input type="checkbox"/> Addition
Chapter:	3	Appendix:	
Sections:	6.3, 6.4, 6.5		
Sub-sections proposed for amending:			

### PART 2 – PROPOSAL HISTORY

Version	Reason for Issuing	Version Date
1.0	Working Draft for Technical Panel Review	October 9, 2007
2.0	Draft for Technical Panel Review	October 30, 2007
3.0	Incorporate Technical Panel Comments and Publish for Stakeholder Review and Written Comments	November 6, 2007
Approved Amendment Publication Date:		
Approved Amendment Effective Date:		

### PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

Provide a brief description of the following:

- The reason for the proposed amendment and the impact on the *IESO-administered markets* if the amendment is not made.
- Alternative solutions considered.
- The proposed amendment, how the amendment addresses the above reason and impact of the proposed amendment on the *IESO-administered markets*.

#### Summary

It is proposed to amend the market rules related to market participant suspension, termination and disconnection. Generally the proposed amendments would:

1. Provide additional mechanisms through which the IESO could protect the IESO-administered markets and minimize losses that might arise when a market participant (MP) is subject to a court supervised proceeding, such as bankruptcy protection or receivership. This would be accomplished through proposed changes such as eliminating the ability of a seller to backdate changes in a physical bilateral contract to a date prior to the occurrence of the event of default where the buyer is in default and allowing the IESO to offset any rebate payable to an MP against pre-filing arrears
2. Stream-line the suspension, termination and disconnection process to reduce the possibility of a market participant extending the process and exposing the IESO-administered markets to financial risk in the form of a default levy. This would be accomplished through proposed changes such as eliminating the ability of a market participant to seek a “show cause” hearing before the IESO Board for suspension and termination in cases of financial events of default. The IESO believes the hearing is unnecessary in light of other procedural protections available to a defaulting market participant. There is further elaboration on this issue in the section “Hearing before the IESO Board” below.
3. Providing the IESO with more finely calibrated mechanisms to address differing circumstances associated with a defaulting market participant. This would be accomplished through proposed changes such as allowing the IESO to issue a suspension order instead of a termination or disconnection order to a market participant that persistently breaches the market rules and eliminating the IESO’s obligation to issue a disconnection order when an MP is terminated where such order would impact an MP embedded behind the defaulting MP or when such an order would harm the environment or create a risk to public/worker safety.
4. Re-organize various sections of the market rules along subject matter lines to improve understanding and use of these provisions. Included in this re-organization is the removal of provisions judged to be not required or duplicative of other provisions.

#### Background

The market rules (sections 6.3, 6.4, 6.5 of Chapter 3) provide for the suspension and termination of a market participant and disconnection of a facility for financial events of default and for persistent breaches of the market rules. The recent insolvencies of two market participants exposed gaps in the market rules relating to suspension, termination and disconnection for events of default. Among other things, these gaps create a risk that the market may be required to “carry” a defaulting market participant for an extended period of time. The IESO is seeking to reduce this risk by streamlining the

### PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

process and limiting or removing measures that duplicate legal protections available to a defaulting market participant outside of the market rules.

At its meeting on June 28, 2007 the IESO Board reviewed these issues and provided a preliminary policy direction that the IESO undertake stakeholder consultation on amendments to the market rules to address these gaps identified and bring forward these amendments to the IESO Board for its review and consideration later in 2007.

The IESO Board also directed the IESO to establish predetermined criteria for those instances in which the IESO seeks to convert an existing market rule obligation (shall) into a market rules permission (may). This would provide greater transparency to market participants with respect to the IESO's process for invoking that discretion. For example, it is proposed to eliminate the obligation on the IESO to issue a disconnection order when an MP is terminated. The IESO will use this discretion in cases where disconnecting a defaulting MP would affect another MP embedded behind the defaulting terminating MP or where disconnection could harm the environment, or create a risk to worker/public safety. The IESO will provide this information for market participants.

#### **Shortcomings of the Current Rules**

The issues that the IESO is seeking to address include the following:

- *Clarifying the Relationship to Court Supervised Process:* In many cases, a market participant that commits an event of default will also be subject to, or on the verge of, a court-supervised process such as creditor protection or bankruptcy. In such cases, the court proceedings will take precedence over the market rules and the IESO will represent the interests of the IESO-administered markets in those proceedings. The current rules neither recognize the legal protections that the court process offers for the defaulting market participants nor the restrictions that it places on the IESO's ability to deal with a defaulting market participant. For example, where a market participant is under court supervision, the IESO will be required to obtain leave of the court prior to taking any step in the disconnection process and may need to obtain leave on multiple occasions before completing the process.
- *Length and Complexity of the Current Process:* The default protection amount (DPA) used in part to calculate a market participant's prudential support obligation is premised on the assumption that no more than 21 days will elapse between the date an event of default occurs and disconnection. Any shortfall between outstanding amounts owed by the defaulting participant and the available prudential support will be made by the imposition of a default levy on all market participants by the IESO. The current process may allow a market participant to extend the process longer than 21 days which exceeds the DPA thus exposing the market to an increased risk of the imposition of the default levy.
- *Disconnection of an Embedded Market Participant:* The IESO is currently only permitted to issue disconnection orders to transmitters and distributors. The market rules do not permit the IESO to issue disconnection orders to any other kind of market participant that is the "host" of an embedded market participant where the embedded participant has defaulted. For example, a wholesale customer may have a defaulting market participant embedded within or behind its facility. This is an issue because the defaulting embedded market participant would be able to continue to consume electricity thereby exposing the market to a risk of the imposition of a default levy. Although this has not happened to date in IESO-administered markets there is a possibility this might occur and therefore the IESO should be granted the authority necessary to order the disconnection of the defaulting market participant in this circumstance.

### PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

- *Disconnection of a “Host” Market Participant:* The current rules obligate the IESO when issuing a termination order to issue orders disconnecting the facilities of a defaulting market participant even if it is the “host” of an embedded market participant that is in good standing. Such a disconnection would deny the embedded market participant access to the IESO-controlled grid. The IESO should be provided flexibility under the market rules to not issue a disconnection order in this circumstance so that it may permit electricity consumption by the embedded non-defaulting market participant.
- *Disconnection if a Risk to Public Safety:* The IESO is presently obligated to issue a disconnection order when terminating a market participant even if disconnection would create a risk to public or worker safety or result in environmental damage. While a transmitter or distributor in accordance with the market rules can refuse to carry out such an order if it would create a risk to public/worker safety or result in environmental damage, this discretion is not extended to the IESO. The IESO should not be placed in a position where it is compelled under the market rules to issue a disconnection order even though it knows that such action would endanger public/worker safety or damage the environment.
- *Other Changes:* Parts of sections 6.3, 6.4 and 6.5 are duplicative (e.g. sections 6.4.2 and 6.5.1) and there are some discrepancies between the different sections (e.g. a disconnection order for a suspended market participant can be issued to a transmitter under section 6.3.7B.4, while a disconnection order for a terminated market participant can be issued to a transmitter **or a distributor** under section 6.4.4A). Further, section 6.5 contains provisions concerning de-registration and termination for persistent breaches of the market rules. These provisions have been intertwined with the default rules and should be separated so that they are easier to understand.

#### **Hearing before the IESO Board**

As part of these amendments, the IESO is proposing to eliminate the ability of a market participant to seek a “show cause” hearing before the IESO Board for suspension and termination in cases of financial events of default. The IESO believes the hearing is unnecessary in light of other procedural protections available to a defaulting market participant. These include the court-supervised process in cases of creditor protection and bankruptcy, the exemption process for temporary relief from a requirement that a market participant is unable to satisfy, and the dispute resolution process to resolve disagreements over an amount owed by a market participant.

In addition, a market participant has a right to appeal to the OEB an order that “terminates, suspends or restricts the person’s rights to participate in the IESO-administered markets or to cause or permit electricity to be conveyed into, through or out of the IESO-controlled grid” under paragraph 36(1)(c) of the *Electricity Act, 1998*.

In light of recent events, the IESO has become concerned that a defaulting market participant could use the hearing process to prolong the disconnection process while continuing to draw electricity from the IESO-controlled grid thereby exposing the market to additional financial risk. Although to date this is a hypothetical risk as there has never been a “show cause” hearing before the IESO Board, the IESO believes this risk cannot be justified given the range of other procedural protections outlined above.

A hearing before the IESO Board will still be permitted for suspension, termination or de-registration resulting from a persistent breach of the market rules by a market participant. Further information with respect to IESO sanctioning guidelines can be found at the following link:

### PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

[\[http://www.ieso.ca/imoweb/marketComp/compliance.asp\]](http://www.ieso.ca/imoweb/marketComp/compliance.asp).

For additional information please refer to MR-00335-Q00

[\[http://www.ieso.ca/imoweb/pubs/mr2007/MR-00335-Q00-AS.pdf\]](http://www.ieso.ca/imoweb/pubs/mr2007/MR-00335-Q00-AS.pdf).

#### Discussion

In view of the complexity of the proposed amendment and modifications to sections 6.3/6.4/6.5 of Chapter 3 of the market rules the IESO has prepared a Table of Concordance (attached as Appendix “A”) to assist the review of the proposed market rule amendments.

The first two columns in the Table of Concordance identify the proposed revised rule and its current equivalent (if any). The final column lists whether the section in question:

- remains essentially similar to the existing market rules;
- has been rewritten in plainer language; and
- introduces new or modified permissions, authorities, and/or obligations in the market rules and provides the rationale for these proposed changes.

### PART 4 – PROPOSED AMENDMENT

The following proposed rule amendment because of the significant changes from the existing rules is not shown as tracked changes for ease of reading. A Table of Concordance has been provided to assist the reader in tracking changes from the existing market rules.

#### 6.2A Persistent Breaches of the Market Rules

6.2A.1 If a *market participant* has breached the *market rules* on a persistent basis, the *IESO* may:

6.2A.1.1 issue that *market participant* a *suspension order* under section 6.3A;

6.2A.1.2 issue that *market participant* a *termination order* under section 6.4; or

6.2A.1.3 deregister some or all of the *market participant’s registered facilities* under section 6.5.

6.2A.2 Where the *IESO* intends to act pursuant to section 6.2A.1, the *IESO* shall provide the *market participant* with a notice stating:

6.2A.2.1 the nature of the action to be taken;

- 6.2A.2.2 the grounds and any evidence on which the *IESO* relies on in support of the intended action;
  - 6.2A.2.3 the time within which the *market participant* may make written representations to the *IESO* as to why such action should not be taken; and
  - 6.2A.2.4 the right of the *market participant* to request a hearing before the *IESO Board* or a committee of the *IESO Board* established for such purpose to show cause why such action should not be taken.
- 6.2A.3 The *IESO* shall provide a copy of any notice issued under section 6.2A.2 to the *OEB* and to the *transmitter, distributor* and/or other *market participant* to whose *facilities* the *market participant's facilities* who is the subject of the notice are connected.
- 6.2A.4 If the *market participant* has requested a hearing, the *IESO Board* or a committee of the *IESO Board* established for such purpose shall conduct a hearing providing the *market participant* with a reasonable opportunity to show cause as to why such action should not be taken against it. Following the hearing, the *IESO Board* or the committee of the *IESO Board* established for such purpose may:
- 6.2A.4.1 approve the action that the *IESO* intends to take; or
  - 6.2A.4.2 make any other appropriate order, including an order referred to in section 6.2.7.
- 6.2A.5 If the *market participant* has not requested a hearing, the *IESO* shall consider any written representations received from the *market participant* and may take any action specified in the notice issued under section 6.2A.2 or make any other appropriate order, including an order referred to in section 6.2.7.
- 6.2A.6 The *IESO* shall *publish* a notice of any actions taken under section 6.2A.4 or 6.2A.5 and provide a copy to the *OEB* and the *transmitter, distributor* and/or other *market participant* to whose *facilities* the *market participant's facilities* who is the subject of the notice are connected.

### 6.3 Events of Default

- 6.3.1 An *event of default* occurs if a *market participant* or the person that has provided *prudential support* in relation to the *market participant*:
- 6.3.1.1 does not make a payment in full required under the *market rules* when due;
  - 6.3.1.2 fails to provide payment in full of any amount claimed by the *IESO* under any *prudential support*;

- 6.3.1.3 fails to provide *prudential support* required to be supplied under the *market rules* within the time required;
  - 6.3.1.4 has a licence (including a *licence*), permit or other authorization necessary to carry on its principal business suspended, revoked or otherwise cease to be in full force and effect, provided that where a *market participant* holds more than one *licence* and only one such *licence* has been suspended, revoked or otherwise ceases to be in full force and effect, the *event of default* and any action taken by the *IESO* with respect thereto shall relate only to such *licence*;
  - 6.3.1.5 ceases or threatens to cease to carry on its business or a substantial part of its business;
  - 6.3.1.6 becomes insolvent or is unable to pay all or some of its debts when they fall due for payment;
  - 6.3.1.7 seeks to enter into an arrangement, composition or compromise with, or makes an assignment for the benefit of, all or any class of its creditors;
  - 6.3.1.8 has a receiver or receiver and manager or person having a similar or analogous function under the laws of any relevant jurisdiction appointed in respect of any of its property that is used in or relevant to the performance of its obligations under the *market rules* or its *licence*;
  - 6.3.1.9 is the subject of an order appointing an administrator, liquidator, trustee in bankruptcy or person having a similar or analogous function under the laws of any jurisdiction;
  - 6.3.1.10 is wound up, dissolved, or otherwise has ceased to exist or is the subject of an application for winding up or dissolution, or any analogous procedure, under the laws of any jurisdiction, unless the notice of winding up or dissolution is discharged or withdrawn;
  - 6.3.1.11 ceases to satisfy any material requirement imposed upon it as a condition of its authorization to participate in the *IESO-administered markets* or to cause or permit electricity to be conveyed into, through or out of the *IESO-controlled grid*.
- 6.3.2 A *market participant* shall notify the *IESO* immediately upon:
- 6.3.2.1 the occurrence of an *event of default* or any circumstance that may give rise to an *event of default* referred to in sections 6.3.1.4 to 6.3.1.11; or
  - 6.3.2.2 the appointment of a receiver or receiver and manager or person having a similar or analogous function under the laws of any relevant

jurisdiction in respect of any property of the *market participant* or the *market participant's prudential support* provider.

- 6.3.3 Where a *market participant* or a person providing *prudential support* on behalf of that *market participant* commits an *event of default*, the *IESO* may:
- 6.3.3.1 issue to the *market participant* a *notice of intent to suspend* stating that the *market participant* will be suspended unless it remedies the *event of default* within 2 *business days* or such longer period as specified in the notice;
  - 6.3.3.2 immediately draw upon part or all of the *market participant's prudential support* for the amount of any money owing to the *IESO* under the *market rules*; and
  - 6.3.3.3 set-off any amounts due or credited to the *market participant* under the *market rules*, including those set out in section 4.8.2 of Chapter 9, and any program administered through the billing and *settlement* systems of the *IESO* against any amounts owed by the *market participant*.
- 6.3.4 Where the *IESO* issues a *notice of intent to suspend* under section 6.3.3.1 or a *suspension order* under sections 6.3A.1.1 and 6.3A.1.2 to a *market participant* that is a party to a *physical bilateral contract*, the *IESO* shall:
- 6.3.4.1 deem any *physical bilateral contract quantities* to be zero for the period from the date the *event of default* occurs until it is remedied if that *market participant* is the *selling market participant*; or
  - 6.3.4.2 rescind or refuse to accept any initial or revised *physical bilateral contract data* relating to a *dispatch day* after the date of the *event of default* if that *market participant* is the *buying market participant*.
- 6.3.5 Where the *IESO* issues a *notice of intent to suspend* under section 6.3.3.1 or a *suspension order* under sections 6.3A.1.1 and 6.3A.1.2 to a *market participant*, the *IESO* shall deem any *physical allocation data* that relates to the *market participant* under section 2.4.5 of Chapter 9 to be zero for the period from the date an *event of default* occurs until it is remedied.
- 6.3.6 A *market participant* may remedy an *event of default* by:
- 6.3.6.1 satisfying any outstanding financial or other obligations that gave rise to the *event of default*, including any applicable *default interest* and any costs and expenses incurred by the *IESO* as a result of the *event of default*; and
  - 6.3.6.2 proving to the reasonable satisfaction of the *IESO* that the facts or circumstances which constituted the *event of default* no longer exist.



- 6.3.7 Notwithstanding that the *event of default* has been remedied, the *IESO* may impose any condition on the right of a *market participant* to participate in the *IESO-administered markets* or to cause or permit electricity to be conveyed into, through or out of the *IESO-controlled grid* that the *IESO* determines are appropriate, including:
- 6.3.7.1 establishing a lower *trading limit* in respect of the *market participant* than would otherwise be the case under section 5.3 of Chapter 2;
  - 6.3.7.2 establishing a more frequent continuing schedule of payments than would otherwise be the case under Chapter 9; or
  - 6.3.7.3 imposing a more stringent *prudential support obligation* than would otherwise be the case under section 5 of Chapter 2.

### 6.3A Suspension of a Market Participant

- 6.3A.1 The *IESO* may issue a *suspension order* to a *market participant* if:
- 6.3A.1.1 the *market participant* has not remedied an *event of default* within the time specified in the *notice of intent to suspend*;
  - 6.3A.1.2 an *event of default* specified in sections 6.3.1.5 to 6.3.1.10 has occurred in relation to the *market participant*; or
  - 6.3A.1.3 the *IESO* has determined under section 6.2A that a *suspension order* should be issued because the *market participant* has persistently breached the *market rules*.
- 6.3A.2 The *IESO* shall *publish* the details of the *suspension order* and provide a copy of the *suspension order* to the *OEB* and the *transmitter, distributor* and/or other *market participant* to whose *facilities* the suspended *market participant* is connected.
- 6.3A.3 To the extent specified in the *suspension order*, a *suspended market participant* is ineligible to trade or enter into any transaction in the *IESO-administered markets* or to cause or permit electricity to be conveyed into, through or out of the *IESO-controlled grid*.
- 6.3A.4 The *IESO* may do one or more of the following to give effect to a *suspension order*:
- 6.3A.4.1 reject any *bid, offer, EFM bid, EFM offer, TR bid* or *TR offer* submitted by the *suspended market participant*;
  - 6.3A.4.2 set-off any amounts otherwise due to the *suspended market participant* against any amounts owed by the *suspended market participant* under the *market rules*;

- 6.3A.4.3 issue a *disconnection order* to the *transmitter, distributor* and/or other *market participant* to whose *facilities* the *suspended market participant's facilities* are connected and provide a copy to the *OEB*;  
or
- 6.3A.4.4 make such further order or issue such directions to the *suspended market participant* as the *IESO* determines appropriate.
- 6.3A.5 The *IESO* shall lift a *suspension order* if the *event of default* which triggered its issuance is remedied to the satisfaction of the *IESO* and there are no other *events of default* in existence with respect to the *suspended market participant*.
- 6.3A.6 Notwithstanding that the *suspension order* has been lifted, the *IESO* may impose any condition on the right of a *market participant* that has been subject of a *suspension order* to participate in the *IESO-administered markets* or to cause or permit electricity to be conveyed into, through or out of the *IESO-controlled grid* that the *IESO* determines are appropriate, including the conditions noted in sections 6.3.7.1 to 6.3.7.3.

## 6.4 Termination of a Market Participant

- 6.4.1 The *IESO* may issue a *termination order* to a *market participant* if:
  - 6.4.1.1 the *market participant* is a *suspended market participant* and has not remedied the *event of default* that triggered the *suspension order* within 5 *business days* of the issuance of the *suspension order*;
  - 6.4.1.2 the *market participant* is a *suspended market participant* and has notified the *IESO* that the *market participant* is not likely to remedy the *event of default* that triggered the issuance of the *suspension order*;
  - 6.4.1.3 the *market participant* has been wound up, dissolved, or otherwise has ceased to exist; or
  - 6.4.1.4 the *IESO* has determined under section 6.2A that a *termination order* should be issued because the *market participant* has persistently breached the *market rules*.
- 6.4.2 The *IESO* shall *publish* the details of the *termination order* and provide a copy of the *termination order* to the *OEB* and to the *transmitter, distributor* and/or other *market participant* to whose *facilities* the *terminated market participant's facilities* are connected.
- 6.4.3 When the *IESO* issues a *termination order*, it may at the same time, if it has not already done so, issue a *disconnection order* to the *transmitter, distributor* and/or other *market participant* to whose *facilities* the *terminated market participant's facilities* are connected and provide a copy to the *OEB*.

- 6.4.4 A *terminated market participant* that re-applies for authorization shall be required to comply with the provisions of section 3 of Chapter 2. The *IESO* may impose any conditions on the right of the *terminated market participant* to participate in the *IESO-administered markets* or to cause or permit electricity to be conveyed into, through or out of the *IESO-controlled grid* that the *IESO* determines are appropriate, including the conditions noted in sections 6.3.7.1 to 6.3.7.3.

## 6.5 De-Registration of a Market Participant's Facilities

- 6.5.1 The *IESO* may deregister some or all of a *market participant's registered facilities* if the *IESO* has determined under section 6.2A that the *market participant* has persistently breached the *market rules*.
- 6.5.2 Deregistering some or all of a *market participant's registered facilities* terminates all of the rights of the *market participant* in respect of those *registered facilities* to participate in the *IESO-administered markets* or in respect of those *registered facilities* to cause or permit electricity to be conveyed into, through or out of the *IESO-controlled grid* in respect of those *registered facilities*.
- 6.5.3 If the *IESO* deregisters some or all of a *market participant's registered facilities*, it may at the same time issue a *disconnection order* to the relevant *transmitter, distributor* and/or other *market participant* to whose *facilities* the *market participant's facilities* which is subject of the deregistration are connected and provide a copy to the *OEB*.
- 6.5.4 A *market participant* that wishes to re-register *registered facilities* that have been deregistered shall comply with the provisions of section 2 of Chapter 7. The *IESO* may impose any conditions on right of the *market participant* to participate in the *IESO-administered markets* or to cause or permit electricity to be conveyed into, through or out of the *IESO-controlled grid* that the *IESO* determines are appropriate, including the conditions noted in sections 6.3.7.1 to 6.3.7.3.

### PART 5 – IESO BOARD DECISION RATIONALE

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## Market Rule Amendment Proposal

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### PART 1 – MARKET RULE INFORMATION

Identification No.:	MR-00335-R01		
Subject:	Market Administration		
Title:	Revisions to the Suspension, Termination, and Disconnection Provisions for Events of Default		
Nature of Proposal:	<input checked="" type="checkbox"/> Alteration	<input type="checkbox"/> Deletion	<input type="checkbox"/> Addition
Chapter:	2	Appendix:	
Sections:	8.2		
Sub-sections proposed for amending:	5.4.2, 8.2.2		

### PART 2 – PROPOSAL HISTORY – PLEASE REFER TO MR-00335-R00

Version	Reason for Issuing	Version Date
Approved Amendment Publication Date:		
Approved Amendment Effective Date:		

### PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

Provide a brief description of the following:

- The reason for the proposed amendment and the impact on the *IESO-administered markets* if the amendment is not made.
- Alternative solutions considered.
- The proposed amendment, how the amendment addresses the above reason and impact of the proposed amendment on the *IESO-administered markets*.

#### Summary

MR-00335-R01 proposes to modify Chapter 2, section 8.2.2 to provide the IESO with discretion on whether to issue a notice of default levy when an MP defaults. This discretion would permit the IESO to issue the default levy in circumstances where the IESO was certain that the outstanding amount could not be collected from a defaulting MP.

#### Background

Please see MR-00335-R00.

#### Discussion

Amending section 8.2.2 of Chapter 2 as proposed will provide the IESO with discretion on whether to issue a notice of default levy when an MP defaults. The existing language in section 8.2.2 does not reflect the IESO's practice of using the default levy as a means of last resort when a MP defaults. To date, the IESO has never issued a default levy and would only do so in circumstances where it was certain that the outstanding amount could not be collected from a defaulting MP. The issuing of the first notice of default levy "kicks off" the default levy process therefore IESO discretion in regard to this rule provides the necessary discretion with respect to the invoicing of the default levy itself.

### PART 4 – PROPOSED AMENDMENT

## 8.2 Notice of First Default Levy

8.2.1 Where a *market participant* has failed to either remit or cause to be remitted to the *IESO settlement clearing account* the full amount due by that *market participant* by the close of banking business (of the bank at which the *IESO settlement clearing account* is held) on a *market participant payment date*:

8.2.1.1 [Intentionally left blank]

8.2.1.2 [Intentionally left blank]

8.2.1.3 the *IESO* may take such steps as may be permitted by section 6.14 of Chapter 9.

8.2.2 Where the *IESO* has issued a *suspension order or termination order to a defaulting market participant*, ~~*suspension order and/or disconnection order or default notice*~~ in accordance with sections 6.3.3.2, 6.3.7B or 6.3.7D of Chapter 3, and the ~~*defaulting market participant*~~ has failed to remit to the ~~*IESO settlement clearing account*~~ the full amount due by that ~~*market participant*~~ within the time specified in the ~~*default notice*~~, the *IESO* shall may:

8.2.2.1 issue a first *notice of default levy* in accordance with section 8.2.3; and

8.2.2.2 take such steps, if it has not already done so, as may be required to realize, in accordance with section 3 of Appendix 2.3, any *prudential support* held in respect of the *defaulting market participant* the right to realization of which is triggered by the default in payment at issue.

**PART 5 – IESO BOARD DECISION RATIONALE**

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## Market Rule Amendment Proposal

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### PART 1 – MARKET RULE INFORMATION

Identification No.:	MR-00335-R02		
Subject:	Market Administration		
Title:	Revisions to the Suspension, Termination, and Disconnection Provisions for Events of Default		
Nature of Proposal:	<input checked="" type="checkbox"/> Alteration	<input type="checkbox"/> Deletion	<input type="checkbox"/> Addition
Chapter:	3	Appendix:	
Sections:	5.3, 6.2		
Sub-sections proposed for amending:	5.3.1.5A, 6.2.1		

### PART 2 – PROPOSAL HISTORY – PLEASE SEE MR-00335-R00

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**PART 3 – EXPLANATION FOR PROPOSED AMENDMENT**

Provide a brief description of the following:

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- Alternative solutions considered.
- The proposed amendment, how the amendment addresses the above reason and impact of the proposed amendment on the *IESO-administered markets*.

**Summary**

Consequential to the market rule amendments identified in MR-00335-R00 it is proposed to modify section 5.3, “Exceptions” and section 6.2, “Procedures Concerning Alleged Breaches of the Market Rules” in Chapter 3 of the market rules.

In section 5.3.1.5A it is proposed to modify the market rules by removing the reference to show cause hearings before the IESO Board for suspension, termination, or disconnection orders associated with financial events of default. MR-00335-R00 proposes to remove the show cause hearings in these instances.

In section 6.2.1 it is proposed to modify the market rules by updating the cross-references to reflect the proposed modifications to sections 6.3/6.4/6.5 of chapter 3 outlined in MR-00335-R00.

**Background**

Please see MR-00335-R00.

**Discussion**Section 5.3.1.5A

It is proposed to amend section 5.3.1.5A of Chapter 3 of the market rules by deleting the reference to show cause hearings in respect of sections 6.3/6.4/6.5 of the market rules.

Section 6.2.1

It is proposed to amend section 6.2.1 of Chapter 3 by deleting the cross-reference to section 6.5.1 and replacing it with 6.2A.1 and also deleting the cross-reference to section 6.4 and replacing it with section 6.2A.

**PART 4 – PROPOSED AMENDMENT****5.3 Exceptions**

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5.3.1.5A if required by the *IESO Board* or a committee established by the *IESO Board*, the disclosure, use or reproduction of *confidential information* if required in connection with the issuance of *suspension, termination* or *disconnection orders* in respect of one or more *market participants* ~~and any show cause hearings in respect thereof under section 6.3, 6.4 or 6.5~~, the revocation of the registration in respect of one or more *metering service providers* and any show cause hearings in respect thereof under section 5.3 of chapter 6;

## 6.2 Procedures Concerning Alleged Breaches of the Market Rules

6.2.1 This section shall not apply to the issuance by the *IESO* of a *suspension order* or *termination order*, which shall be governed by the provisions of section 6.3A or 6.4, respectively, or to the issuance by the *IESO* of ~~the an~~ order referred to in section ~~6.5-16.2A.1~~, which shall be governed by the applicable provisions of section 6.42A and 6.5.

### PART 5 – IESO BOARD DECISION RATIONALE

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## Market Rule Amendment Proposal

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### PART 1 – MARKET RULE INFORMATION

Identification No.:	MR-00335-R03		
Subject:	Market Administration		
Title:	Revisions to the Suspension, Termination, and Disconnection Provisions for Events of Default		
Nature of Proposal:	<input checked="" type="checkbox"/> Alteration	<input type="checkbox"/> Deletion	<input type="checkbox"/> Addition
Chapter:	8	Appendix:	
Sections:	2.4		
Sub-sections proposed for amending:	2.4.12. 2.4.13 (new)		

### PART 2 – PROPOSAL HISTORY – PLEASE REFER TO MR-00335-R00

Version	Reason for Issuing	Version Date
Approved Amendment Publication Date:		
Approved Amendment Effective Date:		

**PART 3 – EXPLANATION FOR PROPOSED AMENDMENT**

Provide a brief description of the following:

- The reason for the proposed amendment and the impact on the *IESO-administered markets* if the amendment is not made.
- Alternative solutions considered.
- The proposed amendment, how the amendment addresses the above reason and impact of the proposed amendment on the *IESO-administered markets*.

**Summary**

Consequential to the market rule amendments identified in MR-00335-R00 it is proposed to modify section 2.4, “Submitting and Revising Physical Bilateral Contract Data” in Chapter 8 of the market rules. This proposed modification would eliminate the ability of a seller to backdate changes in physical bilateral contracts to a date prior to the occurrence of the event of default where the buyer is in default, which will prevent the seller from retroactively transferring the obligations of the defaulting buyer to the market. It is also proposed to insert an obligation on the IESO to notify any counterparties to PBC contracts registered with the IESO when one of the parties to those contracts has committed an event of default and is subject to an IESO notice of intent to suspend or a suspension notice.

The intent of these proposed modifications is to ensure that the IESO-administered markets do not carry a financial risk in the event that an event of default has occurred in respect of either a buyer or seller of a physical bilateral contract registered with the IESO. These proposed modifications will reduce the risk of non-defaulting market participants being required to cover the shortfalls via the default levy.

**Background**

Please see MR-00335-R00.

**Discussion**Section 2.4.12

It is proposed to amend section 2.4.12 of Chapter 8 by updating the embedded cross-references to reflect changes made in section 6.3 of Chapter 3 as proposed in MR-00335-R00 and to insert an obligation on the IESO to notify any counterparties to PBC contracts registered with the IESO for which the selling market participant has been issued a notice of intent to suspend or a suspension order by the IESO.

Section 2.4.13

IT is proposed to insert a new section 2.4.13 into Chapter 8 of the market rules. This section introduces cross-reference to section 6.3.5 of Chapter 3 and to insert an obligation on the IESO to notify any counterparties to PBC contracts registered with the IESO for which the buying market participant has been issued a notice of intent to suspend or a suspension order by the IESO.

**PART 4 – PROPOSED AMENDMENT**

**2.4 Submitting and Revising Physical Bilateral Contract Data**

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2.4.12 ~~Where the IMO issues a default notice to a selling market participant the provisions of section 6.3.3B.1 of Chapter 3 shall apply. Where the IMO issues a suspension order against a selling market participant, the provisions of section 6.9.3A.1 of Chapter 3 shall apply.~~ If a the IESO issues a notice of intent to suspend or a suspension order to a selling market participant commits an event of default, section 6.3.4 of Chapter 3 shall apply and the IESO shall notify any buying market participant who is counterparty to any of selling market participant’s physical bilateral contracts registered with the IESO of the IESO’s actions.

2.4.13 If the IESO issues a notice of intent to suspend or a suspension order to a buying market participant commits an event of default, section 6.3.4 of Chapter 3 shall apply and the IESO shall notify any selling market participant who is a counterparty to any of the buying market participant’s physical bilateral contracts registered with the IESO of the IESO’s actions..

**PART 5 – IESO BOARD DECISION RATIONALE**

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## Market Rule Amendment Proposal

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### PART 1 – MARKET RULE INFORMATION

Identification No.:	MR-00335-R04		
Subject:	Market Administration		
Title:	Revisions to the Suspension, Termination, and Disconnection Provisions for Events of Default		
Nature of Proposal:	<input checked="" type="checkbox"/> Alteration	<input type="checkbox"/> Deletion	<input type="checkbox"/> Addition
Chapter:	9	Appendix:	
Sections:	2.4		
Sub-sections proposed for amending:	2.4.11		

### PART 2 – PROPOSAL HISTORY – PLEASE REFER TO MR-00335-R00

Version	Reason for Issuing	Version Date
Approved Amendment Publication Date:		
Approved Amendment Effective Date:		

**PART 3 – EXPLANATION FOR PROPOSED AMENDMENT**

Provide a brief description of the following:

- The reason for the proposed amendment and the impact on the *IESO-administered markets* if the amendment is not made.
- Alternative solutions considered.
- The proposed amendment, how the amendment addresses the above reason and impact of the proposed amendment on the *IESO-administered markets*.

**Summary**

Consequential to the market rule amendments identified in MR-00335-R00 it is proposed to modify section 2.4, “Collection of Physical Allocation Data” in Chapter 9 of the market rules. Similar to the changes proposed in MR-00335-R03 the rationale for this rule amendment is to prevent the IESO-administered markets from facing financial risks that might occur if a defaulting market participant’s physical allocation data was modified to the effect that it prompted the issuance of a default levy to non-defaulting market participants.

**Background**

Please see MR-00335-R00.

**Discussion**

Section 2.4.11

It is proposed to amend section 2.4.11 of Chapter 9 by updating the cross-references and by recrafting this section in plainer language. The updated cross-references are consequential to the amendments proposed in MR-00335-R00. It is also proposed to insert an obligation on the IESO to notify any MPs who allocated metering data to the market participant who is the subject of the IESO’s actions of the IESO’s actions.

**PART 4 – PROPOSED AMENDMENT**

**2.4 Collection of Physical Allocation Data**

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2.4.11 If the IESO issues a notice of intent to suspend or a suspension order to a market participant ~~Where the IESO issues a default notice to a market participant to which metering data has been allocated pursuant to section 2.4.5, the provisions of section 6.3.3B.2 of Chapter 3 shall apply. Where the IESO issues a suspension order against a market participant to which metering data has been allocated pursuant to section 2.4.5, the provisions of section 6.9.3A.2 of Chapter 3 shall apply.~~ If a market participant that has been allocated metering data under section 2.4.5 commits an event of default, section 6.3.5 of Chapter 3 shall apply and the



*IESO shall notify any market participant who has allocated metering data to the market participant who is the subject of the IESO's actions.*

**PART 5 – IESO BOARD DECISION RATIONALE**

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## Market Rule Amendment Proposal

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### PART 1 – MARKET RULE INFORMATION

Identification No.:	MR-00335-R05		
Subject:	Market Administration		
Title:	Revisions to the Suspension, Termination, and Disconnection Provisions for Events of Default		
Nature of Proposal:	<input checked="" type="checkbox"/> Alteration	<input type="checkbox"/> Deletion	<input type="checkbox"/> Addition
Chapter:	11	Appendix:	
Sections:			
Sub-sections proposed for amending:			

### PART 2 – PROPOSAL HISTORY – PLEASE REFER TO MR-00335-R00

Version	Reason for Issuing	Version Date
Approved Amendment Publication Date:		
Approved Amendment Effective Date:		

**PART 3 – EXPLANATION FOR PROPOSED AMENDMENT**

Provide a brief description of the following:

- The reason for the proposed amendment and the impact on the *IESO-administered markets* if the amendment is not made.
- Alternative solutions considered.
- The proposed amendment, how the amendment addresses the above reason and impact of the proposed amendment on the *IESO-administered markets*.

**Summary**

Consequential to the amendments proposed in MR-00335-R00 it is proposed in MR-00335-R05 to delete one defined term (“default notice”), insert a new defined term (“notice of intent to suspend”) and modify one defined terms for cross-reference purposes (“suspension order”). Furthermore due to a change in provincial legislation there is a consequential and necessary modification required to the defined term “business day”.

**Background**

Please see MR-00335-R00.

**Discussion**Business Day

The current definition of “business day” refers to the *Interpretation Act*. This *Act* was repealed by the Ontario government effective July 25, 2007 and replaced with the *Legislation Act*. Consequentially there is a need to update the existing definition of “business day” in Chapter 11 of the market rules.

Default Notice

The amendment deletes the defined term “default notice” from Chapter 11 of the market rules. As discussed in MR-00335-R00, the default notice is not used by the IESO because it can cause cross-defaults under other credit obligations of the MP and is being replaced by a new “notice of intent to suspend”.

Notice of Intent to Suspend

A new defined term “notice of intent to suspend” will be inserted into Chapter 11 of the market rules.

Suspension Order

It is proposed to modify the defined term “suspension order” by updating the embedded cross-reference from 6.3 to 6.3A. This modification is consequential to the revisions proposed in MR-00335-R00 which separate the provisions relating to events of default from the provisions dealing with suspension orders.

**PART 4 – PROPOSED AMENDMENT**

*business day* means any day other than a Saturday, a Sunday or a holiday as defined in ~~section 88 of section 29 of the Interpretation Act (Ontario) the~~ Legislation Act and, where expressed by reference to the jurisdiction of a *market participant* other than the Province of Ontario, means any day other than a Saturday, a Sunday or a day on which banks are authorized or required to be closed in the jurisdiction of that *market participant*;

~~*default notice* means a notice issued by the IESO to a market participant pursuant to section 6.3.3.2, section 6.3.7B, or section 6.3.7D.3 of Chapter 3;~~

~~*notice of intent to suspend* means a notice issued by the IESO to a market participant under section 6.3.3.1 of Chapter 3~~

*suspension order* means an order issued pursuant to section 6.3A of Chapter 3 suspending all or part of the rights of a *market participant* to participate in the *IESO-administered markets* or to cause or permit electricity to be conveyed into, through or out of the *IESO-controlled grid*;

**PART 5 – IESO BOARD DECISION RATIONALE**

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## APPENDIX A

### TABLE OF CONCORDANCE – REVISIONS TO SUSPENSION, TERMINATION AND DISCONNECTION PROVISIONS FOR EVENT OF DEFAULT

**How to use this table:** The left-hand column lists provisions by the section number assigned to it in the revised rules. The middle column identifies where the provision is NEW or is derived from an existing provision(s). The comments in the right-hand column highlight any change to the existing rule and provide the rationale for the change. A reference to “Plain language rewrite” means the rule has been rewritten to improve clarity but has not been changed in any substantive respect.

Revised Rule	Current Rule	Comments
<b>Chapter 3 – Please Refer to MR-00335-R00</b>		
<b>6.2A</b>	6.4 & 6.5	Creates a new section 6.2A to deal solely with persistent breaches and consolidate provisions currently spread throughout section 6.4 and 6.5.
6.2A.1	6.4.2 & 6.5.1	Consolidates sections 6.4.2 and 6.5.1 into a single provision and did a plain language rewrite.
6.2A.1.1	NEW	Grants the IESO the authority to impose a suspension where the remedy of termination or de-registration may not be appropriate for an MP that persistently breaches the rules. A suspension order is a more moderate sanction than either a termination or de-registration order. The IESO may use a suspension order as a means to facilitate the return of an MP that has persistently breach the market rules to the IESO-administered markets if it takes the necessary steps to correct its practices that resulted in past breaches.
6.2A.1.2	6.4.2	Plain language rewrite.
6.2A.1.3	6.5.1	Plain language rewrite.
6.2A.2	6.5.2	Plain language rewrite.
6.2A.2.1	NEW	Requires the IESO to identify whether it is seeking to suspend or terminate an MP or de-register facilities. This will provide transparency and clarity to the impacted MP as to what course of action the IESO specifically is going to take.
6.2A.2.2	6.5.2.1	Plain language rewrite.
6.2A.2.3	6.5.2.2	No change.
6.2A.2.4	6.5.2.3	No change.
6.2A.3	6.5.3	Amended such that where the facility in question is embedded behind another MP that is not a transmitter or a distributor, the IESO would be obligated to provide that MP with a copy of the notice.

Revised Rule	Current Rule	Comments
6.2A.4	6.5.5	Plain language rewrite. The last sentence from the originating rule “in such case the IESO shall not make the determination noted in section 6.5.4.1 until such hearing has been held” has not been carried forward into the new market rule 6.2A.4 (see below) because the hearing in question has been abolished thus this phrase is no longer needed.
6.2A.4.1	6.5.5	Plain language rewrite.
6.2A.4.2	6.5.5	Plain language rewrite. Please see comment in regard to rule 6.2A.4.
6.2A.5	6.5.4	Plain language rewrite
6.2A.6	6.5.9	Amended such that where the facility in question is embedded behind another MP that is not a transmitter or a distributor, the IESO would be obligated to provide that MP with a copy of the notice.
<b>6.3</b>	6.3	Separates provisions relating to events of default from provisions dealing with suspension orders to make it easier to follow the two processes.
6.3.1	6.3.1	All events listed will now also be events of default if they relate to a person that provides prudential support for an MP. This will ensure the IESO can take steps to protect the market in all circumstances where the person that has provided prudential support has committed an event of default.
6.3.1.1	6.3.1.1	Plain language rewrite.
6.3.1.2	6.3.1.2	<p>Eliminates the reference to a “within one <i>business day</i> [sic] in the jurisdiction of the <i>market participant</i>”. This wording made the provision difficult to follow. Further, it applied only where the MP was in another jurisdiction and did not cover situations where an MP’s prudential support provider or its financial institution were located outside of Ontario. In the IESO’s view, each of these cases should be treated in the same manner.</p> <p>In place of this provision, the IESO proposes that where an MP or a prudential support provider cannot access its financial institutions within the time required because of a holiday in another jurisdiction, the IESO will use its discretion under the revised section 6.3.3 to manage the situation without issuing a notice of intent to suspend.</p>
6.3.1.3	6.3.1.3	Plain language rewrite.

Revised Rule	Current Rule	Comments
N/A	6.3.1.4 & 6.3.1.5	Sections 6.3.1.4 and 6.3.1.5 were eliminated because these provisions potentially put an MP in default because of its obligation to comply with other laws,
6.3.1.4	6.3.1.6	Plain language rewrite.
6.3.1.5	6.3.1.7	Plain language rewrite
6.3.1.6	6.3.1.9 & 6.3.1.14	Consolidates 6.3.1.9 and 6.3.1.14 to eliminate repetition. As the preamble to this section now includes the phrase “or the person that has provided prudential support in relation to the market participant”, the reference to a MP’s prudential support provider no longer needs to be in this subsection.
6.3.1.7	6.3.1.8	Plain language rewrite.
6.3.1.8	6.3.1.10	Plain language rewrite.
6.3.1.9	6.3.1.11	Plain language rewrite.
6.3.1.10	6.3.1.12 & 6.3.1.13	Consolidates section 6.3.1.12 and 6.3.1.13 due to the changes to the preamble in 6.3.1.
6.3.1.11	6.3.1.15	Plain language rewrite.
6.3.2	6.3.2	Plain language rewrite.
6.3.2.1	6.3.2.1	Plain language rewrite.
6.3.2.2.	6.3.2.2	Plain language rewrite.
6.3.3	6.3.3	<p>Grants the IESO discretion, rather than the obligation, to issue a notice of intent to suspend when an event of default occurs. The IESO will exercise this discretion when it has determined that a payment due from an MP is delayed due to circumstances that are beyond the control of the MP (e.g. bank error, holiday in another jurisdiction, etc.). The IESO will require satisfactory proof from the MP that it has taken all steps within its control to satisfy this obligation.</p> <p>Replaces the default notice and the notice of intent to commence suspension proceedings (referred to as the “NIC”) in section 6.3.3 with a single “notice of intent to suspend”. There is a risk that the issuance of a default notice may cause cross-defaults under other credit obligations of the MP. To avoid this outcome the IESO amended the rule previously to create the NIC (MR-00184-R00-R02) as an alternative procedure. However, after the creation of the NIC, the default notice fell into disuse and the IESO relied solely on the NIC. The amendment eliminates the redundant default notice and renames the NIC to bring into line with the</p>



Revised Rule	Current Rule	Comments
		revised suspension procedures.
6.3.3.1	6.3.3.1 & 6.3.7	<p>Eliminates the inconsistency between the current section 6.3.3.1 and 6.3.7 by standardizing the time for remedying an event of default to 2 business days. The prior reference to 5 days in section 6.3.3.1 is removed because it has limited application (it only applied over the Easter and Christmas breaks) and was judged to add unnecessary complexity.</p> <p>The provision also grants the IESO the ability to specify a longer period for remedying an event of default in the notice. The IESO intends to use this discretion to manage cases where the MP cannot cure the default within 2 business days but can provide the IESO with reasonable assurance that it will do so shortly thereafter (e.g. expecting a large payment in 3 or 4 days, etc.). The IESO would determine this through direct communication with the MP.</p>
6.3.3.2	6.3.3.3	Plain language rewrite.
6.3.3.3	NEW	<p>Clarifies the IESO's right to set off such that any rebate payable to an MP including any rebate under section 4.8.2 of Chapter 9, can be claimed against the MP's pre-filing arrears.</p> <p>In the event that an MP files for creditor protection, this provision should strengthen the IESO's claim to apply any rebate that accrued before the filing, but was not payable until after the filing, to the MP's pre-filing arrears.</p>
6.3.4	6.3.3B.1 & 6.3.9A.1	Consolidates section 6.3.3B.1 and 6.3.9A.1 to avoid duplication.
6.3.4.1	6.3.3B.1 & 6.3.9A.1	Extends the time period during which physical bilateral contract (PBC) quantities are deemed to be zero. PBC quantities are deemed to be zero so that any market related monies flowing to the seller from the market participant are directed to the IESO. This allows the IESO to ensure these funds are used to pay debts that are related to the IESO-administered markets. The deeming provision currently runs from the date of a notice of intent to suspend and once amended will run from the date of event of default. This change will bring the date of deeming into line with the date on which the market's exposure begins.
6.3.4.2	NEW	Eliminates the ability of a seller to backdate changes in physical bilateral contracts (PBC) to a date prior to the occurrence of the event of default where the buyer is in default. This will ensure that the obligations of the

Revised Rule	Current Rule	Comments
		defaulting buyer to the seller cannot be retroactively transferred to the market. If a market participant has contracted to buy all of its electricity from another market participant via a PBC then the IESO invoice sent to the PBC buyer will not reflect the cost of that electricity. Under the current market rules, the PBC seller has the ability to backdate changes to the PBC and therefore change the amount of money that the PBC buyer owes to the market versus the PBC seller. The risk to the market that exists in the current rules is if the PBC buyer declares bankruptcy the PBC seller's ability to backdate PBC changes can result in the PBC buyer owing the market money without the prudentials to support the obligation. This significantly increases the probability of a default levy to market participants.
6.3.5	6.3.3B.2 & 6.3.9A.2	Consolidates section 6.3.3B.2 and 6.3.9A.2 to avoid duplication and extends the time period during which physical allocation data is deemed to be zero. Physical allocation data is deemed to be zero so that any market related monies flowing to the seller from the market participant are directed to the IESO-administered markets. This allows the IESO to ensure these funds are used to pay debts that are related to the IESO-administered markets. The provision currently runs from the date of a notice of intent to suspend and will now run from the date of event of default. This change will bring the date of deeming into line with the date on which the market's exposure begins.
6.3.6	6.3.4	Plain language rewrite.
6.3.6.1	6.3.4.1	Plain language rewrite. Wording with respect to how default interest is calculated was removed because that information is contained within the definition for this defined term. The phrase "reasonably determined by the IESO" was removed.
6.3.6.2	6.3.4.2	No change.
6.3.7.	6.3.6	Incorporates the conditions that can be imposed after an event of default is remedied directly into the provision. These conditions are currently incorporated by cross-references to sections 6.3.8.1 to 6.3.8.3. The phrase "in the interests of preserving integrity of the market" was not retained.
6.3.7.1	6.3.6	See comment above on revised section 6.3.7.
6.3.7.2	6.3.6	See comment above on revised section 6.3.7.
6.3.7.3	6.3.6	See comment above on revised section 6.3.7.

Revised Rule	Current Rule	Comments
6.3A	6.3	See comment above on section 6.3.
6.3A.1	NEW	Replaces sections 6.3.7, 6.3.7A, 6.3.7B, 6.3.7C and 6.3.7D, eliminates the need for an additional notice advising the MP of the IESO's intent to issue a suspension order, and removes the MP's right to a hearing before the IESO Board for a suspension order. The additional notice was to advise the MP that it had a right to request a hearing before the IESO Board before being suspended. Because the hearing before the Board has been eliminated, the additional notice is not required. The elimination of the hearing before the IESO Board will reduce the length and complexity of the suspension process. As discussed in the submission document, the IESO believes the hearing process increases the risk to the market and is unnecessary in light of other procedural protections available to a defaulting MP.
6.3A.1.1	NEW	Under the revised rules, the suspension process will be streamlined and the IESO will have a right to suspend a defaulting MP that fails to cure an event of default within 2 business days or such longer period allowed by the IESO. This approach is similar to that used by NYISO and MISO, which both have a right to suspend or terminate a participant that fails to cure an event of default within 2 business days.
6.3A.1.2	NEW	Allows the IESO to issue a suspension order without the need to issue a notice of intent to suspend in circumstances where it would not be possible for the MP to cure the event of default within 2 business days. For example, in cases where the MP has ceased to carry on business, or is wound up, issuing a notice of its intent to suspend serves no purpose and exposes the market to 2 additional days of risk. Allowing the IESO to move directly to suspension in such cases will reduce the length and complexity of the process and better protect the market against risk of default levy. It is possible for a wound up business to still consume electricity due to a court supervised process. In this circumstance the IESO would be a participant in the court supervised process to ensure the IESO-administered markets are kept whole.
6.3A.1.3	NEW	See comments on 6.2A.1.1
6.3A.2	6.3.11	Plain language rewrite. In addition, the phrase "and/or other market participant" to capture the situation in which the suspended market participant is in fact embedded within another market participant that is not a transmitter or distributor. In this situation the "other

Revised Rule	Current Rule	Comments
		market participant” would also receive a copy of the order.
6.3A.3	6.3.12	Plain language rewrite.
6.3A.4	6.3.9	Plain language rewrite.
6.3A.4.1	6.3.9.1	No change.
6.3A.4.2	6.3.9.2	Clarifies the IESO’s right to set off. See the comment on section 6.3.3.3 for further information.
6.3A.4.3	6.3.7.2	Allows the IESO to issue a disconnection order when suspending an MP. The revised rule does not include a reference the IESO providing a notice of IESO intent to issue the disconnection order because that notice related to a hearing process that is being eliminated.
6.3A.4.4	6.3.9.4	No change.
6.3A.5	6.3.8	Plain language rewrite. The first clause of this section in the originating rule has been moved into section 6.3A.5 and the second clause in the originating rule has been moved into 6.3A.6. Additionally sub-sections 6.3.8.1/6.3.8.2/6.3.8.3 have respectively been moved to revised rules 6.3.7.1/6.3.7.2/6.3.7.3. Please see comments on revised rule 6.3.7.
6.3A.6	6.3.8	Plain language rewrite.
<b>6.4</b>	6.4	Deals with the termination of an MP. Provisions relating to persistent breaches have been removed and consolidated in 6.2A.
6.4.1	6.4.1	Eliminates the need for an additional notice advising the MP of the IESO’s intent to issue a termination order and removes the MP’s right to a hearing before the IESO Board for a termination order. The elimination of the hearing before the IESO Board will reduce the length and complexity of the termination process. As discussed in the submission document, the IESO believes the hearing process increases the risk to the market and is unnecessary in light of other procedural protections available to a defaulting MP.
6.4.1.1	6.4.1.1	Shortens the length of time before the IESO terminate a suspended MP that has failed to cure an event of default from 20 business days to 5 business days. This will streamline the termination process and reduce the market’s exposure.
6.4.1.2	6.4.1.2	Plain language rewrite.

Revised Rule	Current Rule	Comments
6.4.1.3	NEW	Added a right to terminate an MP that is wound up, dissolves or otherwise ceases to exist. This avoids the need for a suspension proceeding when the MP no longer exists and allows the IESO to proceed directly to termination in such cases. See the comments on section 6.3A.1.2 for further information.
6.4.1.4	6.4.2	Plain language rewrite
6.4.2	6.4.7	Plain language rewrite. In addition, the phrase “and/or other market participant” to capture the situation in which the terminated market participant is in fact embedded within another market participant that is not a transmitter or distributor. In this situation the “other market participant” would also receive a copy of the order.
6.4.3	6.4.4A	Eliminates the obligation on the IESO to issue a disconnection order when an MP is terminated. The IESO will use this discretion in cases where disconnecting a defaulting MP would affect another MP embedded behind the defaulting terminating MP or where disconnection would harm the environment, risk to public/worker safety, etc. The IESO Board has directed the IESO to provide to the Board the criteria by which the IESO would exercise its discretion under this proposed market rule amendment.
6.4.4	6.4.9	Plain language rewrite.
<b>6.5</b>	6.5	Deals with the de-registration of an MP’s facilities. Provisions relating to persistent breaches have been removed and consolidated in 6.2A.
6.5.1	6.5.1	Plain language rewrite.
N/A	6.5.7	Section 6.5.7 was deleted because it was repetitive of sections 3.4.1.5 and 3.7.1.5 in Chapter 5 of the market rules.
6.5.2	6.5.8	Plain language rewrite.
6.5.3	6.5.6	Eliminates the obligation on the IESO to issue a disconnection order when the facilities of an MP are deregistered. This discretion will be exercised in the same manner as described for section 6.4.3 above.
6.5.4	6.5.11	Plain language rewrite.
<b>Chapter 2 – Please Refer to MR-00335-R01</b>		
8.2.2	8.2.2	Modifies IESO obligation to issue a notice of default levy by converting it to a permission. This provides

Revised Rule	Current Rule	Comments
		the IESO with discretion on whether to issue a notice of default levy when an MP is suspended or terminated. The existing language does not reflect the IESO's practice of using the default levy as a means of last resort when a MP defaults. To date, the IESO has never issued a default levy and would only do so in circumstances where it was certain that the outstanding amount could not be collected from a defaulting MP.
<b>Chapter 3 – Please Refer to MR-00335-R02</b>		
5.3.1.5A	5.3.1.5A	Delete references to show cause hearings for suspension, termination, or disconnection orders for financial events of default. MR-00335-R00 proposes to remove the show cause hearings in these instances.
6.2.1	6.2.1	Updates cross-references.
<b>Chapter 8 – Please Refer to MR-00335-R03</b>		
2.4.12	2.4.12	Updates cross-references and plain language rewrite and inserts an obligation on the IESO to notify any buying market participants who may be impacted by the IESO notices referred to in this section.
2.4.13	New	Introduces cross-reference to section 6.3.4 of Chapter 3 and inserts an obligation on IESO to notify any selling market participants who may be impacted by the IESO notices referred to in this section.
<b>Chapter 9 – Please Refer to MR-00335-R04</b>		
2.4.11	2.4.11	Updates cross-references and plain language rewrite and inserts an obligation on the IESO to notify any market participant who has allocated metering data to the market participant who is the subject of the IESO's actions.
<b>Chapter 11 – Please Refer to MR-00335-R05</b>		
1	1	Updates the definition of <i>business day</i> . The current definition refers to the <i>Interpretation Act</i> , which was repealed effective July 25, 2007 and replaced with the <i>Legislation Act</i> .
		Deletes definition of <i>default notice</i>
		Introduces definition of <i>notice of intent to suspend</i>
		Updates cross-reference in definition of <i>suspension order</i>