



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: <u>905.855.6464</u>	Fax: <u>905.855.6371</u>
E-mail Address: Rule.Amendments@ieso.ca	

PART 2 – MARKET RULE AMENDMENT SUBMISSION INFORMATION

Subject: <u>Settlements</u>
Title: <u>Treatment of the Smart Metering Administration Charge</u>
Nature of Request (please indicate with x)
<input type="checkbox"/> Alteration <input type="checkbox"/> Deletion <input checked="" type="checkbox"/> Addition <input type="checkbox"/> Clarification
Chapter: <u>9</u> Appendix: _____ Sections: <u>6.11</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 has identified the need to amend chapter 9, section 6.11, to allow for use of the IESO Settlement Clearing Account in the collection of the 'Smart Metering Administration Charge' (SMAC) by the IESO from local distribution companies (LDCs).

BACKGROUND

The Smart Metering Initiative (SMI) is the Government of Ontario's initiative to create a conservation culture and a toolset for demand management based upon the province-wide deployment of smart meters. The smart meter will record electricity use for each hour and apply time-of-use pricing for Ontario consumers. This will, in effect, allow the consumer to manage their electricity use and take advantage of lower pricing periods.

The IESO entered into an agreement in July 2006 with the Ministry of Energy to support the SMI and was recently designated as the Smart Metering Entity (SME) by regulation under the *Electricity Act, 1998*¹. As the SME, the IESO is responsible for the administration and operation of the meter data management / meter data repository (MDM/R), which will collect and store information related to the metering of consumers' consumption or use of electricity in Ontario,. The SME will also provide the validating, estimating and editing process for this data so that it can be used by the LDCs for billing purposes. The *Electricity Act, 1998*, as amended by Bill 21, entitles the SME to recover, through just and reasonable rates, the costs and an appropriate return approved by the OEB associated with the conduct of the SME's activities. The OEB has not yet established a fee or fee structure for the SME function. This OEB-established fee would be the SMAC.

In June 2007, the OEB issued amendments to the Distribution System Code that require LDCs to enter into an agreement with the SME, in a form approved by the OEB. The agreement will set out the respective roles and responsibilities of the LDC and the SME in relation to metering and the information required to be exchanged to allow for the conduct of these respective roles and responsibilities. It is the IESO's intention that this agreement would authorize the use of wholesale market rules and processes regarding settlements and dispute resolution. This agreement will not make the LDCs who are not market participants subject to the market rules. Rather the LDCs will be agreeing to use certain existing processes defined by the market rules where applicable. The IESO, as the SME, has circulated a draft agreement to the LDCs for comment and will be pursuing OEB approval of the agreement in the late summer/early fall of 2007.

THE PROPOSED PROCESS

Once the OEB has approved a fee for the SME function, the IESO will begin collecting the SMAC from users of the MDM/R. The settlement, invoicing and payment process for these services will be governed by the above identified agreement between the IESO and the LDCs. However, to minimize administration costs, the IESO is proposing to simplify the SMAC

¹ Refer to the Ministry of Energy's announcement at http://www.e-laws.gov.on.ca/html/source/regs/english/2007/elaws_src_regs_r07393_e.htm

PART 3 – DESCRIPTION OF THE ISSUE

settlement, invoicing and payment process by using elements of the current wholesale market processes.

After the IESO has collected the SMAC, it would withdraw from the IESO Settlement Clearing Account *only* those amounts paid by the LDCs for the SMAC and deposit those funds in an IESO operating account. This would ensure that the IESO cannot withdraw amounts related to the wholesale market to cover any SMAC payment shortfalls from LDCs.

If the existing process is not used, both the IESO and the LDC's would have to develop new, separate processes for administering the SMAC. For the LDCs this would include development of a new process for verifying the SMAC outside their normal procedures for handling IESO settlement statements, development of new procedures for receiving the separate, manual invoice from the IESO for the SMAC, and various other process requirements. Similarly, the IESO would set up and operate a separate clearing account for SMAC, issue manual invoices on a monthly basis for the SMAC charges, and various other process requirements. A separate rule amendment will be drafted to address the issue of incomplete payments and instances of default.

PART 4 – PROPOSAL (BY SUBMITTER)

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

Section 6.11 of Chapter 9 outlines the circumstances under which the IESO can withdraw amounts from the IESO Settlement Clearing Account. In the interests of transparency and certainty for market participants, the market rules should be amended to specify that the IESO can withdraw amounts for the SMAC from the IESO Settlement Clearing Account and restrict the IESO to withdrawing only those funds that were received as payment for the SMAC.

The structure of the proposed amendment is similar to the existing treatment of payments received for the IESO administration charge (section 6.11.4 of chapter 9).

The Market Rules (section 6.11 of Chapter 9) should be amended to include:

1. Authorization of the IESO to withdraw funds from the IESO administered markets Settlement Clearing Account that are received as payment for the Smart Metering Administration Charge
2. Authorization of the IESO to deposit these funds into an IESO operating account

PART 5 – FOR IESO USE ONLY

Technical Panel Decision on Rule Amendment Submission: Warrants Consideration

MR Number: Mr-00336

Date Submitted to *Technical Panel*: August 22, 2007

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

General Urgent Minor August 28, 2007

PART 5 – FOR IESO USE ONLY

Criteria for Acceptance: The IESO recommends that the Technical Panel determine that the amendment submission MR-00336-Q00 warrants consideration as it meets the following criterion for such a determination:

1. It identifies ways to reduce participant or IESO costs. The amendment proposes that the existing wholesale market settlement processes be used with respect to the collection of the SMAC. As a result, the IESO and affected market participants and others would not have to create an independent settlement process for the billing and collection of the SMAC.

Priority: High

Criteria for Assigning Priority: The IESO recommends that the Technical Panel assign a high priority to the development of market rule amendments to address the issue identified in MR-00336-Q00. A high priority is warranted for the following reasons:

1. Pervasiveness: permitting the smart metering charge to be settled through the current wholesale process benefits all LDCs and all other entities involved with smart metering. This amendment would minimize implementation costs for all who are involved.
2. Technical Feasibility: the proposed amendment is technically feasible, as it proposes the incorporation of the SMAC with the existing wholesale settlement process. The changes to the current process would be minimal on both the IESO and LDCs and can be accomplished in a short time period.
3. Scheduling: the IESO, as the SME, would like the rules in place to support the collection of the SMAC starting in the fall, when it expects to start providing the Smart Metering services.

Not Accepted (please indicate with x):

Clarification/Interpretation Required (please indicate with x):

Technical Panel Minutes Reference: IESOTP 205-1

PART 5 – FOR IESO USE ONLY

Technical Panel Comments:

- Is it appropriate for the IESO to use wholesale market systems and processes for collection of charges that are outside of the wholesale market? Is there a risk of cross-subsidization? Is there a risk the IESO would be imposing the market rules on persons that are not market participants?
- Payment of the SMAC would be required two days after invoicing, along with wholesale market charges. Is that appropriate? Shouldn't the payment of the SMAC, a non-wholesale market charge, be on a more commercial basis e.g. within 30 days of invoicing.
- Greater specificity is required regarding the treatment of payments received that do not cover the entire wholesale market charges and the SMAC. The wholesale market must be protected from the risk of default on wholesale market charges.
- Greater clarification is required on the application and authority of wholesale market processes such as dispute resolution.
- More information required on the form and structure of the SMAC. Will local distribution companies be allowed to pass through the costs to end-use consumers?