



Market Rule Amendment Proposal

PART 1 – MARKET RULE INFORMATION

Identification No.:	MR-00336-R00		
Subject:	Settlements		
Title:	Treatment of the Smart Metering Administration Charge		
Nature of Proposal:	<input type="checkbox"/> Alteration	<input type="checkbox"/> Deletion	<input checked="" type="checkbox"/> Addition
Chapter:	9	Appendix:	
Sections:	6.11		
Sub-sections proposed for amending:			

PART 2 – PROPOSAL HISTORY

Version	Reason for Issuing	Version Date
1.0	Draft for Technical Panel Review	August 22, 2007
2.0	Published for Stakeholder Review and Comment	August 30, 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

The amendment proposes to allow for use of the wholesale market settlement, invoicing and payment process for the smart metering administration services provided by the IESO to local distribution companies. The proposed amendment would allow the IESO to instruct the bank to debit the IESO-administered markets Settlement Clearing Account only the amount paid by the LDCs for payment of the Smart Metering Administration Charge and deposit those funds in an IESO operating account.

These amendments would simplify the Smart Metering Administration Charge settlement, invoicing and payment process by using the current wholesale market processes. As the Smart Metering Initiative is not part of the wholesale market, the obligation to pay and resulting actions due to non-payment of this charge would be included in agreements between the IESO and the LDCs. 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. A separate rule amendment will be drafted to address the issue of incomplete payments and instances of default.

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

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 – EXPLANATION FOR PROPOSED AMENDMENT

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. 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.

For further information refer to MR-00336-Q00.

Discussion

It is proposed to add a new section, 6.11.4a, which would permit the IESO to instruct the bank to debit the IESO settlement clearing account the amount paid by the LDCs for the Smart Metering Administration Charge. The proposed amendment would also permit the IESO to instruct the bank to deposit these funds into an IESO operating account.

PART 4 – PROPOSED AMENDMENT**Chapter 9:****6.11 Payment of Invoices**

6.11.1 Subject to section 6.11.2 and section 11.5 of Chapter 2, each *market participant* shall pay the full net *invoice* amount by the *market participant payment date* specified in the *SSPC* or, where applicable, determined in accordance with any of sections 6.3.23, 6.3.27 and 6.3.29, regardless of whether or not the *market participant* has initiated or continues to have a dispute respecting the net amount payable.

6.11.2 A *market participant* may pay at an earlier date than the *market participant payment date* specified in the *SSPC* or, where applicable, determined in accordance with any of sections 6.3.23, 6.3.27, and 6.3.29 in accordance with the following:

6.11.2.1 notification must be given to the *IESO* before submitting such prepayment or before converting an existing overpayment by the *market participant* into a prepayment;

6.11.2.2 the prepayment notification shall specify the dollar amount prepaid;

- 6.11.2.3 a prepayment shall be made by the *market participant* into the *IESO prepayment account* designated by the *IESO*;
- 6.11.2.4 on any *market participant payment date*, the *IESO* may initiate the transfer of necessary funds from the *IESO's prepayment account* to the *IESO settlement clearing account* to discharge, up to the amount of the prepayment, that *market participant's* outstanding payment obligations arising in relation to that *market participant payment date*; and
- 6.11.2.5 [Intentionally left blank]
- 6.11.2.6 [Intentionally left blank]
- 6.11.2.7 subject to section 5.6.3 of Chapter 2, and notwithstanding section 4.18.1.2 of Chapter 8, funds held in an *IESO prepayment account* on behalf a *market participant* may be applied by the *IESO* to any outstanding financial obligations of that *market participant* to the *IESO* for transactions carried out in the *IESO-administered markets*.
- 6.11.3 With respect to transmission service charges, the *IESO* may instruct the bank where the *IESO settlement clearing account* is held to debit the *IESO settlement clearing account* and transfer to the relevant transmitter's transmission services settlement account sufficient funds to pay in full the transmission service charges falling due to that transmitter on any *IESO* payment date specified in the *SSPC* or, where applicable, determined in accordance with any of sections 6.3.23, 6.3.27, and 6.3.29.
- 6.11.4 With respect to the *IESO administration charge*, the *IESO* may instruct the bank where the *IESO settlement clearing account* is held to debit the *IESO settlement clearing account* and transfer to the relevant *IESO* operating account sufficient funds to pay in full the *IESO administration charge* falling due on any *IESO payment date* specified in the *SSPC* in priority to any other payments to be made on that *IESO payment date* or on subsequent days out of the *IESO settlement clearing account*.
- 6.11.4a With respect to the smart metering administration charge, the *IESO* may instruct the bank where the *IESO settlement clearing account* is held to debit the *IESO settlement clearing account* and transfer to the relevant *IESO* operating account only those funds that were received in the *IESO settlement clearing account* as payment for the smart metering administration charge. The smart metering administration charge is the fee approved by the *OEB* to recover costs incurred by the *IESO* solely as a result of the *IESO* acting as the Smart Metering Entity and its responsibilities related to the smart metering initiative.
- 6.11.5 The *IESO* shall, on the *IESO payment date* specified in the *SSPC* or, where applicable, determined in accordance with any of sections 6.3.23, 6.3.27, and 6.3.29, determine the amounts available in the *IESO settlement clearing account* for distribution to *market participants*, and shall, if necessary, borrow funds in accordance with the provisions of

section 6.14 if necessary to enable the *IESO settlement clearing account* to clear no later than 11:00 am on the *IESO payment date*.

PART 5 – IESO BOARD DECISION RATIONALE

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