



Market Rule Amendment Proposal

PART 1 – MARKET RULE INFORMATION

Identification No.:	MR-00340-R00		
Subject:	Market Administration		
Title:	Market Rules Content Policy		
Nature of Proposal:	<input type="checkbox"/> Alteration	<input type="checkbox"/> Deletion	<input checked="" type="checkbox"/> Addition
Chapter:	1	Appendix:	
Sections:	4.2A (new)		
Sub-sections proposed for amending:			

PART 2 – PROPOSAL HISTORY

Version	Reason for Issuing	Version Date
1.0	Draft for Technical Panel Review	November 21, 2007
2.0	Published for Stakeholder Review and Comment	November 28, 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

This amendment proposes to introduce market rule provisions that would specify the scope and content of the market rules i.e. a market rules content policy. Such provisions would provide greater transparency and promote consistency within the market rules.

The amendments propose that the market rules should specify rights, authorities, and obligations of market participants and the IESO for the efficient operation of the IESO-administered markets and the reliable operation of the IESO-controlled grid. It is also proposed that the market rules should not contain detailed procedures and processes (with some exceptions, e.g. determination of settlement amounts).

It is also proposed that these rule amendments will apply on a going-forward basis. The amendment provides that any existing rule is not invalidated nor is anyone relieved of any rights, authorities or obligations because of the rule not conforming to the policy.

Background

The IESO engaged an independent consultant to review the market documentation that governs Ontario's wholesale electricity market, identify users' issues, and make recommendations for improvements. One of the conclusions of the review was that the market rules are difficult to interpret and use due in part to the lack of a policy specifying what belongs in the market rules versus market manuals.

One of the reasons for the wide variance in the scope and content of the existing set of rules is that, for some topics, there were no market manuals when many of the existing rules were drafted. The use of market manuals was not contemplated in the original draft of the market rules received from the Market Design Committee. However, as work progressed to complete the market rules, it became apparent that including all details in the market rules would result in a product that was enormous and unwieldy. So, part-way through the development of the market rules, market manuals were created for the purpose of containing process details.

As a result of the consultant's recommendation that a market rules content policy be developed in order to provide greater clarity and promote consistency within the market rules, the IESO developed a draft market rules content policy and published that document for stakeholder review and comment. The draft policy (see attached) reflects stakeholder comments that were received during discussions with the Technical Panel and the Market Operations Standing Committee (MOSC). Stakeholders indicated that IESO efforts to implement the policy should not defer higher priority work and that a market manual consultation process that is transparent and allows for meaningful stakeholder input must be established before the policy is approved.

In view of Technical Panel and MOSC members' feedback, the IESO deferred seeking approval of the

PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

draft market rules content policy.

In August 2007, the IESO commenced a review of its existing stakeholder engagement principles and processes, including the market manual change process, as part of its ongoing commitment to effective and open dialogue with its stakeholders (refer to Stakeholder Engagement Plan [SE-49 Review of IESO Stakeholder Engagement Principles and Process](#)). Since such a review is underway, the IESO believes now is an appropriate time to resume formal discussion with stakeholders on the market rules content policy. A separate Stakeholder Engagement Plan has been developed for this initiative – refer to [SE-46 Market Rules Content Policy](#).

With respect to the application of the market rules content policy, it is proposed that the policy would be implemented on a going-forward basis. That is, those sections of the market rules under review as part of a proposed market rule amendment would be re-written in a manner consistent with the policy. This approach would balance the need for promoting greater clarity and consistency in the market rules while ensuring efforts to implement the policy do not defer higher priority work. Stakeholders would always be free to seek a market rule amendment in particular cases where they believe there is a serious imbalance in an existing rule.

Discussion

It is proposed to add provisions regarding the content of market rules under new section 4.2A.

Section 4.2A.1 proposes that the market rules define the rights, authorities, and obligations of market participants and the IESO, including the conditions under which those rights, authorities, and obligations must be met. For example, if a market participant intends for its dispatchable facility to be eligible for dispatch the following day, the market participant must submit dispatch data within a specific time during the pre-dispatch day (refer to Chapter 7, section 3.3A.2). The obligation is the requirement to submit dispatch data while the condition for that obligation is the market participant's intent to be eligible for dispatch the following day.

Section 4.2A.2 proposes that potential significant financial impact on market participant classes must also be considered when determining whether information other than rights, authorities and obligations should be included in the market rules. This would ensure that provisions of significant financial impact can be subject to the rigor of the rule amendment process and its regulatory review mechanisms.

The market rules should define process only to the extent that it is necessary for market participants and the IESO to understand their rights, authorities, and obligations.- see section 4.2A.3 These amendment would promote consistency with respect to the scope and level of detail within the market rules.

Section 4.2A.4 and 4.2A.5 provide that the market rules should avoid the use of technical requirements or specifications, performance and other standards, data lists and mathematical formulas, with the following two exceptions. Formulations for the determination of settlement amounts and the determination of prices and schedules would be included in the market rules because of their importance to both efficient operation of the IESO-administered markets and reliable operation of the IESO-controlled grid. The market rules would also have word descriptions of these formulations. If there is a discrepancy between a word description and a mathematical expression, the mathematical expression prevails as the expression is actually used within the market systems.

Section 4.2A.6 proposes that the market rules should avoid obligations that are inconsistent with other regulatory instruments. This amendment would encourage greater certainty about obligations, rights,

PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

and authorities.

Finally, with respect to the application of the market rules content policy, it is proposed that the policy would be implemented on a going-forward basis – see section 4.2A.7. Therefore, any existing rule is not invalidated nor is anyone relieved of any rights, authorities or obligations because it does not conform to the policy. This approach would balance the need for promoting greater clarity and consistency in the market rules going forward while ensuring efforts to implement the policy do not defer higher priority work. Proposed section 4.2A.7 currently contains a place-holder for the effective date of proposed section 4.2A. The effective date of this proposed rule amendment would be inserted once it was determined.

PART 4 – PROPOSED AMENDMENT

Objectives and Status of Market Rules

4.1 Objectives and Status of Market Rules

4.1.1 The objectives of the *market rules* are to govern the *IMO-controlled grid* and to establish and govern efficient, competitive and reliable markets for the wholesale sale and purchase of electricity and *ancillary services* in Ontario.

4.2 Purposes of Market Rules

4.2.1 Accordingly, the *market rules* include provisions:

- 4.2.1.1 governing the making, *amendment* and *publication* of the *market rules*;
- 4.2.1.2 governing the conveying of electricity into, through or out of the *IMO-controlled grid* and the provision of *ancillary services*;
- 4.2.1.3 governing the terms and conditions pursuant to which persons may be authorized by the *IMO* to participate in the *IMO-administered markets* or to cause or permit electricity to be conveyed into, through or out of the *IMO-controlled grid*;
- 4.2.1.4 governing the manner in which electricity and *ancillary services* are sold, purchased and *dispatched* in the *IMO-administered markets*;
- 4.2.1.5 governing standards and procedures to be observed in system *emergencies*;

- 4.2.1.6 authorizing and governing the giving of directions by the *IMO*;
- 4.2.1.7 authorizing and governing the making of orders by the *IMO*;
- 4.2.1.8 providing a mechanism for the resolution of certain disputes arising under the *market rules*;
- 4.2.1.9 providing mechanisms for monitoring, surveillance and investigation of activities in the *IMO-administered markets* and the conduct of *market participants*; and
- 4.2.1.10 providing generally for the exercise by the *IMO* of such powers and authority as may be necessary or desirable for the purpose of carrying out its objects in relation to the *IMO-administered markets* and the *IMO-controlled grid*.

4.2A Content of Market Rules

- 4.2A.1 The *market rules* shall define the rights, authorities, and obligations of *market participants* and the *IESO* for the efficient operation of the *IESO-administered markets* and the *reliable* operation of the *IESO-controlled grid*. The *market rules* shall also define the conditions under which those rights and authorities would be exercised and those obligations would be met.
- 4.2A.2 For determining whether information other than rights, authorities and obligations is to be included in the *market rules*, potential for significant financial impact on *market participant* classes shall be considered.
- 4.2A.3 The *market rules* should only define how or when rights, authorities, and obligations are to be fulfilled or exercised when necessary for *market participants* and the *IESO* to understand those rights, authorities, and obligations.
- 4.2A.4 The *market rules* shall include all equations for the determination of *settlement amounts, market prices, pre-dispatch schedules, market schedules* and *real-time schedules*. The equations shall be stated in both words and mathematical terms. If there is a discrepancy between the two, the mathematical equation prevails.
- 4.2A.5 Other than for the determination of *settlement amounts, market prices, pre-dispatch schedules, market schedules* and *real-time schedules*, the *market rules* should avoid the listing of technical requirements or specifications, performance and other standards, data lists and mathematical formulas.
- 4.2A.6 The *market rules* should avoid inconsistent obligations relative to other regulatory instruments, to the extent reasonably possible.
- 4.2A.7 This section shall not apply to a provision of the *market rules* or *market manuals* that came into effect prior to [NTD: insert in-effect date for section 4.2A] and does not relieve a *market participant*, the *IESO* or any other person of any

existing right, authority or obligation contained in any market rule or market manual that came into effect prior to [NTD: insert in-effect date for section 4.2A].

4.3 Contractual Force

- 4.3.1 The *market rules* have the effect of a contract between each *market participant* and the *IMO* by virtue of the execution by the *IMO* and each *market participant* of the *participation agreement* under which each *market participant* and the *IMO* agree to perform and observe the *market rules* so far as they are applicable to each *market participant* and the *IMO* as provided for in the *market rules*, their respective *licences* and *applicable law*.

PART 5 – IESO BOARD DECISION RATIONALE

Insert Text Here