



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 license. 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: Constellation Energy Group, Gary Wight, Vice President Energy Policy,
Michael Kaufmann, Senior Counsel

(if applicable) *Market Participant /* Market Participant Class:
*Metering Service Provider No.*¹: _____ Wholesale Consumer/Seller

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PART 2 – MARKET RULE AMENDMENT SUBMISSION INFORMATION

Subject: Accounting Treatment of Units Operating in Segregated Mode of Operation

Title: Segregated Mode of Operation as an Export

Nature of Request (please indicate with x)

Alteration Deletion Addition

¹ This number is a maximum of 12 characters and does not include any spaces or underscore.

PART 1 – SUBMITTER’S INFORMATION

Chapter <u>7</u>	Appendix: <u>7.7</u>	Sections: <u>1.4</u>
Sub-sections proposed for amending/clarifying: Clarify: 1.4.2 <u>Definition of Export Service</u>		
Chapter <u>9</u>	Appendix: _____	Sections: <u>3.5.8</u>
Sub-sections proposed for amending/clarifying: Amend: 3.5.8 <u>Segregated Units not Eligible for CMSC Payment</u>		
Chapter <u>9</u>	Appendix: _____	Sections: <u>3.8A</u>
Sub-sections proposed for amending/clarifying: Amend: 3.8A <u>Segregated Units not Eligible for IOG Payment</u>		

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*.

Summary

This amendment proposes to clarify the intent of the Market Rule and accounting treatment for units operating in segregated mode of operation. This amendment is necessary to:

- (a) ensure units operating in segregated mode of operation are treated consistently as export from Ontario, and pay all the charges and costs assigned to Export transactions; and
- (b) ensure units operating in segregated mode of operation are not paid CMSC payments or IOG payments when the same entity also is exporting or importing into Ontario (creating an implied wheel through transaction).

This amendment proposal is deemed to be urgent as it meets the following statutory criteria:

- “avoid, reduce the risk of or mitigate the effects of an unintended adverse effect of a market rule” (section 34.1.4 of the Electricity Act, 1998).

The existing market rules regarding Segregated Mode of Operation, CMSC and IOG payments may result in the adverse impact of avoiding export charges, plus creating CMSC and/or IOG payments that are not consistent with the intent of both CMSC and IOG payments.

Background

Segregated mode of operation means an electrical configuration where a portion of the *IESO-controlled grid* is used to *connect* one or more *registered facilities* that are *generation facilities* to a neighbouring *control area* using a *radial intertie* for the purposes of delivering electricity or *physical services* to such *control area*.

Discussion

PART 3 – DESCRIPTION OF THE ISSUE

This amendment proposes to:

- (a) clarify Section 1.4 of Chapter 7, Appendix 7 to specify that units operating in segregated mode of operation are accounted for as exports. The export should be in an amount equal or greater to the size of the unit(s) being requested for segregation, as this energy is not available for use in Ontario; and
- (b) augment Section 3.5.8 and Section 3.8A of Chapter 9 to specify that entities who operate units in segregated mode of operation are not eligible to collect CMSC and/or IOG payments on imports/exports at intertie locations.

Intent of Export Charges

From the market rules, Section 1.4.2 *Notwithstanding section 1.4.1, a registered market participant that operates a registered facility in a segregated mode of operation shall submit such scheduling information to the IESO as may be necessary to enable the IESO to determine the amounts payable by the registered market participant for export service related to such operation.*

Clearly, when the unit(s) are on segregated mode of operation, the energy has “left” Ontario for export to another jurisdiction. The intent of the rules clearly is to have an accounting treatment identical to typical export transactions. Yet, in their current formulation, the rules are inconsistent with this intent.

Intent of Congestion Management Settlement Credit (CMSC) Payments

CMSC payments are a consequence of the Ontario uniform pricing regime. Linked wheel transactions and implied wheels are not eligible for CMSC payments. This amendment seeks to ensure that when a participant operates a unit(s) in segregated mode of operation, the same participant becomes ineligible to collect CMSC and/or IOG payments on tieline locations.

Participants should also be required to schedule their transactions through the IESO system. This would ensure that the settlement system would attract the correct AQEI/AQEW for CMSC and IOG.

The proposed amendment would also make Ontario more consistent with other regions. For instance, in NYISO, the analog of units operating in segregated mode would be where capacity is de-listed from the NY market. NY requires a capacity bid in the ICAP Automated Market and an external transaction to be entered in the MIS systems.

Finally, it should be noted that the Market Surveillance Panel has been recommending similar action since April 2007. (*See Monitoring Report on the IESO-Administered Electricity Markets for the period from November 2006 – April 2007* at 127-29, available at http://www.oeb.gov.on.ca/documents/msp/msp_report_20070810.pdf. Specifically this report stated:

It is simply a peculiarity of the rules that transfers from Ontario to Quebec under SMO are not deemed to be exports against which imports by the same market participant would be off-set. On other Ontario – Quebec interfaces where SMO is not used and offers/bids are made, RT-IOG off-sets are implemented when implied wheels occur.

Id. at 128.

PART 4 – PROPOSAL (BY SUBMITTER)

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

Chapter 7, 3.5 Energy Bids and Energy Offers

3.5.8 All wheeling through transactions shall consist of:

3.5.8.3 an individual *energy* offer from a *boundary entity* injecting *energy* into the *IESO-controlled grid* and a *boundary entity* withdrawing *energy* from the *IESO-controlled grid* utilizing units operation in segregated mode of operation; or ...

PART 5 – FOR IESO USE ONLY

Technical Panel Decision on Rule Amendment Submission: Warrants Consideration

MR Number: MR-00351

Date Submitted to *Technical Panel*: 25 Sep 08

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

Date:

General Urgent Minor

30 Sep 08

Criteria for Acceptance:

It identifies means to better enable the market to satisfy the market design principle of fairness.

The market should provide for open, non-discriminatory access by all and the market rules must be non-discriminatory. The amendment submission asserts that the existing treatment of segregated mode of operation transactions is discriminatory relative to export transactions.

The Market Surveillance Panel has also identified an apparent inconsistency between the treatment of segregated mode of operation transactions and exports with respect to the determination of IOG offsets.

Consideration is warranted as to whether the existing treatment of segregated mode of operation transactions remains appropriate.

Priority: Medium

Criteria for Assigning Priority:

Pervasiveness of the issue: While only one market participant is able to effect segregated mode of operation transactions, many market participants conduct export transactions. On balance, a medium priority is appropriate.

Not Accepted (please indicate with x):

Clarification/Interpretation Required (please indicate with x):

Technical Panel Minutes Reference: IESOTP 219-1

Technical Panel Comments: _____

