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## Market Rule Amendment Proposal

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### PART 1 – MARKET RULE INFORMATION

Identification No.:	MR-00368		
Subject:	Market Administration		
Title:	Harmonized Sales Tax		
Nature of Proposal:	<input type="checkbox"/> Alteration	<input type="checkbox"/> Deletion	<input type="checkbox"/> Addition
Chapter:	2	Appendix:	
Sections:	1.2, 3.1		
Sub-sections proposed for amending:			

### PART 2 – PROPOSAL HISTORY

Version	Reason for Issuing	Version Date
1.0	Draft for Technical Panel Review	February 18, 2010
2.0	Publish for Stakeholder Review and Comment	February 26, 2010
3.0	Submitted for Technical Panel Review and Vote	March 11, 2010
4.0	Recommended by Technical Panel; Submitted for IESO Board Approval	March 16, 2010
5.0	Approved by IESO Board	April 15, 2010
Approved Amendment Publication Date:	April 15, 2010	
Approved Amendment Effective Date:	July 1, 2010	

**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 in order to be compliant with Bill 218 (an Act to implement 2009 Budget measures) by replacing market rule references to the Goods and Services Tax with harmonized value-added tax.

**Background**

As announced in the 2009 Ontario Budget, the Provincial Sales Tax (PST) will be replaced with a value-added tax that will be combined with the federal Goods and Services Tax (GST) to create a Harmonized Sales Tax (HST) for Ontario, effective July 1, 2010. The HST will be 13%, consisting of the provincial portion at eight per cent and the federal portion at five per cent. With few exceptions, none of which are applicable to transactions in the IESO-administered market, the HST will apply to the same base of property and services as the GST. For market charges, this means that all charges that currently attract GST in Ontario will attract HST.

**Discussion**

Chapter 2 of the market rules specifies the conditions for participation in the IESO-administered markets. All market participants, except for those who participate solely in the transmission rights market, are required to demonstrate that they are either registered for the federal GST or are not liable to pay the GST (refer to section 1.2.2.6). A market participant must provide the IESO with their GST registration number or documentation that supports their GST-exempt status (refer to section 3.1.2.2).

Effective July, 1, 2010, the HST will replace the GST and PST in Ontario. Therefore, it is proposed to replace the market rule references to Goods and Service Tax with the “harmonized value-added tax system” as referenced in Part IX of the *Excise Tax Act*. From a grammatical standpoint, it is appropriate to include the word “system” when referring to registration but not when referring to payment.

**PART 4 – PROPOSED AMENDMENT****1.2 Participation**

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- 1.2.2 No person shall be authorized by the *IESO* 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* unless the *IESO* is satisfied:
- 1.2.2.1 on the basis of the certification, tests, and inspections referred to in section 6.2, that the person satisfies the technical requirements referred to in that section applicable to all *market participants*;
- 1.2.2.2 that the person, if it applies to participate in the *real-time markets*, will satisfy the *prudential support* requirements of Appendix 2.3 and any other financial requirements set forth in the *market rules* applicable to all *market participants* and the *IESO-administered market* in which the person wishes to participate;
- 1.2.2.3 that the person agrees to be bound by these *market rules* by executing the *participation agreement*;
- 1.2.2.4 that the person holds a *licence* permitting the person to engage in one or more of the activities described in section 57 of the *Ontario Energy Board Act, 1998*, unless:
- a. the person is exempt by regulation enacted pursuant to the *Ontario Energy Board Act, 1998* from the obligation to hold such a *licence*;  
or
- b. the person is not engaging in an activity for which the person requires a *licence* pursuant to section 57 of the *Ontario Energy Board Act, 1998*; and
- 1.2.2.5 [Intentionally left blank – section deleted]
- 1.2.2.6 on the basis of the documentation referred to in section 3.1.2.2, that the person, if it applies for authorization as a *market participant* other than solely as a *financial market participant*:
- a. is registered for the federal ~~Goods and Services Tax~~harmonized value-added tax system under Part IX of the *Excise Tax Act* (Canada); or
- b. is resident in Canada and is, by virtue of *applicable law*, not liable to pay the federal ~~Goods and Services Tax~~harmonized value-added tax imposed under Part IX of the *Excise Tax Act* (Canada).
- 1.2.2A [Intentionally left blank – section deleted]
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### 3. Application for Authorization

- 3.1.1 A person who wishes to be authorized by the *IESO* 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* must file a completed *application for authorization to participate*.
- 3.1.2 The application for authorization to participate shall be accompanied by:
- 3.1.2.1 the non-refundable application fee established from time to time by the *IESO* to defray the costs of processing the application; and
- 3.1.2.2 unless the *application for authorization to participate* is submitted in respect of an applicant that is applying for authorization to participate in the *IESO-administered markets* solely as a *financial market participant*, either:
- a. the federal ~~Goods and Services Tax~~ [harmonized value-added tax system](#) registration number issued to the applicant by the Canada Customs and Revenue Agency; or
  - b. where the applicant is resident in Canada and is, by virtue of *applicable law*, not liable to pay the federal ~~Goods and Services Tax~~ [harmonized value-added tax](#) imposed under Part IX of the *Excise Tax Act* (Canada), such documentation as may be prescribed in the *Excise Tax Act* (Canada) or described in the policies of the Canada Customs and Revenue Agency to support the exemption from such liability to pay.

#### PART 5 – IESO BOARD DECISION RATIONALE

This amendment ensures the market rules reflect the harmonization of the Ontario provincial retail sales tax and the federal goods and services tax.