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## Market Rule Amendment Proposal

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### PART 1 – MARKET RULE INFORMATION

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|-------------------------------------|---|-----------------------------------|--|
| Identification No.:                 | MR-00379  |                                   |  |
| Subject:                            | Reliability Standards                             |                                   |  |
| Title:                              | Effective Dates for Reliability Standards         |                                   |  |
| Nature of Proposal:                 | <input checked="" type="checkbox"/> Alteration    | <input type="checkbox"/> Deletion | <input checked="" type="checkbox"/> Addition |
| Chapter:                            | 5, 11   | Appendix:                         |  |
| Sections:                           | Ch 5, 1.2.6 (new), 1.2.7 (new), Ch 11 Definitions |                                   |  |
| Sub-sections proposed for amending: |   |                                   |  |

### PART 2 – PROPOSAL HISTORY

| Version                              | Reason for Issuing  | Version Date   |
|--------------------------------------|---|----------------|
| 1.0                                  | Draft for Technical Panel review                                  | March 15, 2011 |
| 2.0                                  | Draft for Technical Panel review                                  | April 13, 2011 |
| 3.0                                  | Publish for Stakeholder Review and Comment                        | April 21, 2011 |
| 4.0                                  | Publish for Stakeholder Review and Comment                        | May 2, 2011    |
| 5.0                                  | Submitted for Technical Panel Vote                                | May 10, 2011   |
| 6.0                                  | Recommended by Technical Panel; Submitted for IESO Board Approval | May 17, 2011   |
| 7.0                                  | Approved by IESO Board  | June 16, 2011  |
| Approved Amendment Publication Date: |   | June 16, 2011  |
| Approved Amendment Effective Date:   |   | July 8, 2011   |

### 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 to ensure that reliability standards approved by a standards authority are declared in force in Ontario only after they are declared in force in the United States (US), and after the completion of any statutory review periods during which no reviews are requested of, or initiated by the Ontario Energy Board (OEB).

This proposal will provide clarity regarding effective dates of both North American Electric Reliability Corporation (NERC) reliability standards and Northeast Power Coordinating Council (NPCC) reliability criteria, and better ensure that the effective dates of reliability standards in Ontario align with the dates in other jurisdictions and do not disadvantage Ontario parties subject to such standards.

In addition, it is proposed where a reliability standard approved by NERC failed to achieve approval by the NERC registered ballot body as specified in NERC's Rules of Procedures, the reliability standard will not be in force in Ontario unless and until the IESO determines that all or part of the reliability standard is in force in Ontario.

#### Background

Refer to MR-00379-Q00.

#### Discussion

##### Chapter 5

Amend the market rules in Chapter 5, section 1.2.6 (new) to specify that subject to section 1.2.7, NERC reliability standards or NPCC reliability criteria that have not otherwise been stayed or revoked and referred back to NERC or NPCC for further consideration by the OEB will be declared in force in Ontario:

- Section 1.2.6.1: when the reliability standards are declared in force in the US, following approval by FERC where required. This condition will include NERC standards and NPCC regional standards (a special case of a NERC standard). For NPCC reliability criteria, which do not require FERC approval, the criteria must have been declared in force by NPCC (i.e. following their approval by, and on the date specified by NPCC). The date specified by NPCC is coordinated with all NPCC members upon completion of their respective regulatory review periods, and at a minimum will provide for the 21 day period for requesting review by the OEB.
- Section 1.2.6.2: after the expiry of the period for initiating a review before the OEB, and the

**PART 3 – EXPLANATION FOR PROPOSED AMENDMENT**

conclusion of any such review.

Section 1.2.6 further specifies that the reliability standards will cease to be in force in Ontario when they cease to be in force in the US. In addition, on the effective date of the proposed rule amendments, market participants will no longer be required to meet reliability standards that are currently in force in Ontario but not the US (commonly referred to as “in-flight standards”), until such time the reliability standards are declared in force in the US.

The proposed changes above are complementary to NERC’s “Appendix C - Procedure for Coordinating Reliability Standards.”

- Section 1.2.7 specifies where a reliability standard approved by NERC failed to achieve approval by the NERC registered ballot body as specified in NERC’s Rules of Procedures, the reliability standard will not be in force in Ontario unless and until the IESO determines, in consultation with affected market participants, that all or part of the reliability standard is in force in Ontario. The IESO will publish notice of its determination (i.e. to accept, reject, or accept a portion of the standard) and where applicable (i.e. the IESO accepts all or a portion of the standard), such reliability standard will come into effect in accordance with section 1.2.6.

Proposed 1.2.7 is consistent with Ontario Regulation [452/06](#), where one of the additional objects of the IESO is “to establish and enforce standards and criteria relating to the reliability of transmission systems,” and its rule making authority under section 32(1)(c) of the Electricity Act. It reinforces the IESO’s support of the industry led standards development process while reserving judgment on standards made outside that process.

Chapter 11

For clarity, it is proposed to:

- Amend the definition of “standards authority” to explicitly reference NPCC, which has been designated as a standards authority under Ontario Regulation 214/08. In addition, it is proposed to change within the definition the “or” to an “and” to clarify that all the cited bodies in the definition are considered standard authorities at any given time. As a matter of clean-up, it is also proposed to replace “the North American Electric Reliability Corporation” with NERC, which is a defined term in Chapter 11;
- Remove from the definition of “reliability standards” the condition regarding the OEB review process and to place this condition in section 1.2.6;
- Add a cross reference in the definition of “reliability standards” to the conditions which must be met in Ch 5, sections 1.2.6 (new) and 1.2.7(new) in order to be declared in force in Ontario.

## PART 4 – PROPOSED AMENDMENT

## Chapter 5

## 1.2 General Principles

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1.2.6 Subject to section 1.2.7, *reliability standards* established by a *standards authority* that have not otherwise been stayed or revoked and referred back to the *standards authority* for further consideration by the *Ontario Energy Board* shall be declared in force in Ontario:

1.2.6.1 when the *reliability standards* are declared in force in the United States or, for *NPCC* reliability criteria, when declared in force by *NPCC*; and

1.2.6.2 after the expiry of the period for initiating a review before the *Ontario Energy Board* and the conclusion of any such review;

and shall cease to be in force in Ontario when they cease to be in force in the United States. For certainty, the operation of any *reliability standard* that had been in force in Ontario but had not been declared in force in the United States when this rule amendment went into effect shall be stayed until such *reliability standard* has been declared in force in the United States.

1.2.7 Notwithstanding section 1.2.6, where a *reliability standard* approved by *NERC* failed to achieve approval by the *NERC* registered ballot body as specified in *NERC*'s Rules of Procedure, the *reliability standard* will not be in force in Ontario unless and until the *IESO* determines, in consultation with affected *market participants*, that all or part of the *reliability standard* is in force in Ontario. The *IESO* shall *publish* notice of its determination and where applicable, such *reliability standard* will come into effect in accordance with section 1.2.6.

## Chapter 11

## 1. Definitions

*standards authority* means ~~*NERC*~~the North American Electric Reliability Corporation, *NPCC*, any successors thereof, ~~or~~and any other agency or body that approves standards or criteria applicable both in and outside Ontario relating to the *reliability* of *transmission systems*;

*reliability standards* means the criteria and standards, including an amendment to

a standard or criterion, relating to the *reliable* operation of the *integrated power system* established by a *standards authority*, and declared in force subject to Chapter 5, sections 1.2.6 and 1.2.7 ~~by a *standards authority*, and which has not otherwise been stayed or revoked and referred back to the *standards authority* for further consideration by the *Ontario Energy Board*~~, together with those set forth in these *market rules* or otherwise established by the *IESO* in accordance with these *market rules* and which has not otherwise been stayed or revoked and referred back to the *IESO* for further consideration by the *Ontario Energy Board*;

#### **PART 5 – IESO BOARD DECISION RATIONALE**

This amendment better aligns NERC and NPCC reliability standards effective dates across Canada and the United States.