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## Market Rule Amendment Proposal

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### PART 1 – MARKET RULE INFORMATION

Identification No.:	<b>MR-00310-R00</b>		
Subject:	<b>Day-Ahead Commitment Process (DACP)</b>		
Title:	<b>IESO Authorities and Obligations Regarding Time Period in Which the DACP is Functioning and DACP Sunset</b>		
Nature of Proposal:	<input type="checkbox"/> Alteration	<input type="checkbox"/> Deletion	<input checked="" type="checkbox"/> Addition
Chapter:	7	Appendix:	
Sections:	1.7 (new)		
Sub-sections proposed for amending:			

### PART 2 – PROPOSAL HISTORY

Version	Reason for Issuing	Version Date
1.0	Submit for Technical Panel Review	12 Dec 05
2.0	Publish for Stakeholder Review and Comment	14 Dec 05
3.0	Draft for TP Review and Vote	6 Jan 06
4.0	Recommended by Technical Panel; Submitted for IESO Board Approval	11 Jan 06
5.0	Approved by IESO Board	3 Feb 06
Approved Amendment Publication Date:	7 Feb 06	
Approved Amendment Effective Date:	31 May 06	

### 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

In response to stakeholder feedback and in accordance with the direction of the IESO Board regarding the implementation of the day-ahead commitment process (DACP), this amendment authorizes the Chief Executive Officer of the IESO to adjust the time period or periods during which the DACP functions. This authority is needed so that the use of DACP can be adjusted if circumstances warrant.

This amendment also establishes a sunset for the DACP of November 30, 2006, consistent with the IESO Board resolution approving the implementation of the DACP. The amendment proposes that operation of the DACP beyond November 30, 2006 would require IESO Board authorization.

The amendment also proposes obligations on the IESO to notify market participants of the time period or periods specified by the Chief Executive Officer. This IESO obligation is intended to ensure transparent operation of the day-ahead commitment process timing.

#### Background

The objective of the DACP is to provide maximum incentives for imports scheduled in the day-ahead to flow in real-time and to ensure sufficient internal generation resources are on-line in real-time to satisfy reliability needs.

For further information on the DACP please refer to the document “IESO Reliability Measures 2006 Day-ahead Commitment Process with reliability Guarantees” which can be found at:

[http://www.ieso.ca/imoweb/pubs/consult/dayAhead/da\\_20051128-rm\\_v2.0-2006.pdf](http://www.ieso.ca/imoweb/pubs/consult/dayAhead/da_20051128-rm_v2.0-2006.pdf)

For further information on the scope of the market rules related to the DACP reliability guarantee and settlement activities, please refer to the amendment submission MR-00305-Q00 which can be found at:

[http://www.ieso.ca/imoweb/pubs/mr/MR\\_00305-Q00.pdf](http://www.ieso.ca/imoweb/pubs/mr/MR_00305-Q00.pdf).

At its meeting on December 7, 2005, the IESO Board approved the implementation of the DACP. The IESO Board resolution and other material considered by the IESO Board in its decision can be found on the IESO public web site at the following location:

[http://www.theimo.com/imoweb/consult/consult\\_dacp.asp](http://www.theimo.com/imoweb/consult/consult_dacp.asp)

#### Discussion

The IESO identified the DACP as a means to address reliability concerns for the summer of 2006. The IESO has also identified that the DACP is a temporary measure. During development of the DACP design, stakeholders, while recognizing the need for action to address reliability, voiced strong concerns regarding the potential negative impact the DACP could have on the IESO-administered markets. Examples of the potential market negative impacts include reduced real-time prices and price

**PART 3 – EXPLANATION FOR PROPOSED AMENDMENT**

volatility, and increased uplift costs. Stakeholders questioned the need for the DACP to be used every day when every day does not have reliability concerns.

In response to these stakeholders' concerns, the IESO Board, in its decision to implement the DACP, directed that the IESO Chief Executive Officer (CEO) have the authority to adjust the time period in which the DACP would be used. This authority is specified in the proposed section 1.7.1.

Exercise of this authority by the IESO CEO is intended to reduce potential negative market impacts while meeting the reliability objectives of the DACP. In any decision regarding the time period for use of the DACP, it is proposed that the IESO CEO would be guided by the DACP impacts on the IESO-administered markets and on the reliable operation of the IESO-controlled grid.

The IESO Board also directed that the DACP not be used beyond November 30, 2006. This sunset is a reflection of the temporary nature of the DACP. It is proposed that the market rules would specify that any operation of the DACP beyond November 30, 2006 would not be permitted, unless the IESO Board directs otherwise. Refer to section 1.7.2. Allowing for the IESO Board to extend the use of the DACP, without a market rule amendment is judged necessary so that an extension can be made in a timely manner, but would still require a formal IESO Board decision.

In order to ensure a transparent exercise of the IESO CEO authority and a transparent process for any IESO Board decision to extend the use of the DACP, an obligation is proposed on the IESO to notify market participants at least 5 business days ahead of (i) the first time the DACP will be used and (ii) any adjustments to that time period as specified by the IESO CEO. This notification period is proposed to allow market participants sufficient time to make any necessary adjustments to their business to the introduction of the DACP and any time period adjustments made thereafter. Refer to section 1.7.3.

**PART 4 – PROPOSED AMENDMENT**

## **1.7 IESO Authorities and Obligations Regarding the Time Period During Which the Day-Ahead Commitment Process Functions**

1.7.1 The Chief Executive Officer of the IESO may adjust the time periods during which the day-ahead commitment process shall be used. In adjusting the time period for the use of the day-ahead commitment process, the Chief Executive Officer of the IESO shall consider the impact of the day-ahead commitment process on the IESO-administered markets and the IESO-controlled grid. In adjusting these time periods, the Chief Executive Officer of the IESO may specify dispatch hours and dispatch days during which the day-ahead commitment process shall be used.

1.7.2 The day-ahead commitment process shall not be used beyond November 30, 2006 unless the IESO Board passes a resolution to authorize its use beyond that date.

1.7.3 The IESO shall notify market participants at least five business days in advance of:

- the day the day-ahead commitment process will first be used; and
- the day that any adjustments to the time periods specified by the Chief Executive Officer of the IESO will come into effect.

**PART 5 – IESO BOARD DECISION RATIONALE**

The Day-Ahead Commitment Process will contribute to maintaining the reliable operation of the IESO-controlled grid.