



Market Rule Amendment Proposal

PART 1 – MARKET RULE INFORMATION

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| Identification No.: | MR-00319-R00 | | |
| Subject: | Real-Time Intertie Transaction Failure Charges | | |
| Title: | Interim Reporting of Real-Time Intertie Transaction Failure Charges on Preliminary Settlement Statements | | |
| Nature of Proposal: | <input checked="" type="checkbox"/> Alteration | <input type="checkbox"/> Deletion | <input type="checkbox"/> Addition |
| Chapter: | 9 | Appendix: | |
| Sections: | 3.8C | | |
| Sub-sections proposed for amending: | 3.8C.9 | | |

PART 2 – PROPOSAL HISTORY

| Version | Reason for Issuing | Version Date |
|--------------------------------------|---|----------------|
| 1.0 | Submit for Technical Panel Review | April 18, 2006 |
| 2.0 | Publish for Stakeholder Review and Comment | April 19, 2006 |
| 3.0 | Submit for Technical Panel Review and Vote | April 27, 2006 |
| 4.0 | Recommended by Technical Panel and Submitted to IESO Board for Approval | May 2, 2006 |
| 5.0 | Approved by IESO Board | May 8, 2006 |
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| Approved Amendment Publication Date: | May 9, 2006 | |
| Approved Amendment Effective Date: | June 1, 2006 | |

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 that until the IESO has the software capability to include real-time intertie transaction failure charges in the daily preliminary settlement statements, the IESO may include these charges in the preliminary settlement statement issued for the last trading day of a billing period.

This amendment is needed so that the real-time intertie failure charge can be implemented at the same time as the day-ahead intertie failure charge associated with the Day-Ahead Commitment Process (DACP). The concurrent implementation of intertie transaction failure charges with the DACP is expected to improve the effectiveness of the DACP in maintaining reliable operation of the IESO-controlled grid.

Background

The market rules require that hourly settlement amounts such as real-time intertie transaction failure charges be included on daily preliminary settlement statements as hourly settlement amounts for the trading day in which they occur.

Presently there is some likelihood that the software tools to implement real-time intertie transaction failure charges on a daily basis will not be available until about one month after the implementation date of the Day-Ahead Commitment Process (DACP). The IESO is authorized, under the recently approved MR-00308 amendment proposal, to recover and distribute the real-time intertie transaction failure charge as non-hourly settlement amounts. Until the daily software capability is developed, the IESO intends to use a manual process to calculate, recover and distribute these charges on a monthly basis as non-hourly settlement amounts. This monthly recovery and distribution, however, does not relieve the IESO of its obligation to report real-time intertie transaction failure charges on the daily settlement statements for the trading days to which the charges relate. Therefore, the IESO cannot implement real-time intertie transaction failure charges under the current market rules unless it has the software capability to report the charges on the daily preliminary settlement statements. This would mean that the DACP would be in place, with its day-ahead intertie transaction failure charge, for some period of time while there would be no real-time intertie transaction failure charge.

The IESO is concerned that the DACP may not be effective if the real-time intertie transaction failure charge rule is not implemented at the same time. Specifically, the IESO is concerned that without real-time intertie transaction failure charges, there will be an incentive for intertie traders to forgo the DACP and the risk of incurring the day-ahead intertie failure charge, and choose instead to transact only in the real-time market.

Discussion

For the interim period that the IESO may not have the software capability to include real-time intertie transaction failure charges on preliminary settlement statements in a manner consistent with the market rule requirements for hourly settlement amounts, the IESO proposes to include them in the preliminary

PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

settlement statement for the last trading day of the month. See the proposed new section 3.8C.9.

The IESO proposes to issue real-time intertie failure charges on the daily preliminary settlement statements as a manual line item when it has the capability to do so. It will not wait until the preliminary settlement statement for the final trade day of the month to report all of the hourly values for each trade day. For example, if the manual capability exists after the 3rd trade day preliminary settlement statement has been issued in June, the remaining trade days will be reported on their corresponding daily preliminary settlement statements, and the three that were missed will be captured in the preliminary settlement statement issued for the last trade day of the month.

The amendment also specifies that the IESO would notify market participants 5 days in advance of when the enduring software capability is to be implemented so that participants will be aware that the charges would then be included on the daily preliminary settlement statements (i.e. not as a manual line item).

PART 4 – PROPOSED AMENDMENT

3.8C.9 Until the IESO has the software capability to include the following *settlement amounts*:

- the real-time import failure charge (RT_IFC_{k,h}); or
- the real-time export failure charge (RT_EFC_{k,h}),

as hourly *settlement amounts* on *preliminary settlement statements* under section 6.5.2A.1, the IESO may include such *settlement amounts* in the *preliminary settlement statement* issued in respect of the last trading day of a *billing period*. The IESO shall give *market participants* 5 days notice of when such software capability will be put into service. This section shall then cease to have effect and shall be noted as “[Intentionally left blank – section deleted]”.

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[NTD: The following section 6.5.2A is an existing market rule that is included here for information.]

6.5.2A *Preliminary settlement statements* related to each *market participant* for the *real-time markets* and for the *TR market*, other than in respect of the element referred to in section 6.5.2, shall include the *settlement amounts*, prices and quantities described in section 6.5.3, presented as follows:

- 6.5.2A.1 for each hourly *settlement amount* referred to in section 3, by *metering interval* or *settlement hour*, as the case may be, depending upon the manner of calculation of the *settlement amount* as described in section 3;
- 6.5.2A.2 for each non-hourly *settlement amount* referred to in section 4 or 5 that is required to be calculated over or in respect of a given *billing period*, by *billing period*, provided that such non-hourly *settlement*

amounts shall be included only in the *preliminary settlement statement* issued in respect of the last *trading day* of a *billing period*; and

- 6.5.2A.3 for each non-hourly *settlement amount*, other than those referred to in section 6.5.2A.2, by *metering interval*, *settlement hour*, or *trading day*, as the case may be, depending upon the time period over or with respect to which the relevant *settlement amount* is required to be calculated pursuant to section 4, or 5.

PART 5 – IESO BOARD DECISION RATIONALE

This amendment is needed so that the real-time intertie failure charge can be implemented at the same time as the day-ahead intertie transaction failure charge associated with the DACP: i.e. June 1, 2006. The concurrent implementation of these intertie transaction failure charges with the DACP is expected to improve the effectiveness of the DACP in maintaining reliable operation of the IESO-controlled grid.