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## Market Rule Amendment Written Submission Form

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Please complete all four sections of this form and submit the completed form by email or fax to the following:

Email Address: [Rule.Amendments@theIMO.com](mailto:Rule.Amendments@theIMO.com)

Fax No.: (416) 506-2847 Attention: Market Rules Group

**Subject:** *Market Rule Written Submission*

All information submitted in this process will be used by the *IMO* 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 licence. All submitted information will be assigned the confidentiality classification of "public" upon receipt. You should be aware that the *IMO* 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".

<b>PART 1 –SUBMITTER’S INFORMATION</b>	
Please enter your organization and contact information in full	
Name: Keith Rawson for TransCanada Energy Ltd.	
(If applicable) Market Participant / Metering Service Provider No. <sup>1</sup> :104358	Market Participant Class: wholesale buyer/seller, generator, consumer
Telephone: 416-869-2121	Fax: 416-869-2056
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<sup>1</sup> This field is restricted to a maximum of 12 characters and does not allow any spaces or underscore.

## PART 2 – MARKET RULE AMENDMENT REFERENCE

Type of Rule Amendment being commented on (please indicate with X on the right): <i>Amendment Submission</i> Proposed Rule Amendment <b>X</b> Recommended Rule Amendment
MR-00161-Q00
Date relevant <i>Amendment Submission</i> , Proposed or Recommended Rule Amendment posted for comment: June 14, 2002

## PART 3 – COMMENTS ON RULE AMENDMENT

Provide your comments.

TransCanada Energy Ltd. is the corporate entity through which TransCanada PipeLines Limited (TransCanada) transacts with the IMO. TransCanada Energy Ltd. is also acting as agent for TransCanada Power L. P., which owns five NUG sites in Ontario.

TransCanada is very interested in the subject matter of this proposed rule amendment, both in its existing operation of generating facilities and in its potential new investment in generating facilities in Ontario. TransCanada is a leading developer of generation facilities in Canada and the United States, with over 900 MW of plant it has built in service and about 250 MW under construction. TransCanada supports the work of the IMO staff in addressing any dispatch and operational barriers that may impede interest in development of cogeneration facilities.

Cogeneration is one of the better investment opportunities available for new projects. The potential for multiple revenue streams, favourable tax treatment, and potential environmental preference all support such investment. Clearly, it would be beneficial for all constituents if the existing Market Rules were made more welcoming for such projects.

As noted by IMO Staff, cogeneration does not fit the default assumption that generation facilities are to be available for dispatch by the IMO. The fundamental reason for this distinction is that the cogeneration facility has a priority obligation to meet the needs of the steam host, with power production being, effectively, a by-product. In fact, if such a priority could not be maintained, most if not all cogeneration facilities would not be built. The steam hosts would simply rely upon boilers for their steam needs, and deal with electricity consumption as a separate matter. The history of development of cogeneration in Ontario supports this view, as many of the current natural-gas NUG facilities under PPAs required a significant push from Ontario Hydro in the mid to late 1980s for the industrial hosts to be comfortable with such investments. In this regard, nothing much has changed since then. We also note that there are other forms of generation which do not supply steam to consumers but that do have similar limitations to that of cogeneration, and they should also be provided for.

### PART 3 – COMMENTS ON RULE AMENDMENT

Provide your comments.

With regard to the potential changes that the IMO could make to improve upon the status quo, we note the following:

- some facilities may be able to provide dispatch control over a portion of their production (this would likely require more bandwidth for compliance with dispatch instructions)
- those facilities that cannot be counted on at all to respond to dispatch instructions will be able to provide planned and forced outage information and production schedules (along the lines of the existing TSG category)
- either type of facility will provide useful contributions to meeting demand growth and help to replace generation reductions resulting from the inevitable retirement of existing generation facilities.

It would appear that a separate category in the rules to encompass cogeneration (or similarly limited ) facilities would be appropriate. TransCanada would support this approach or any other that appropriately recognizes the unique issues facing these projects.

Beyond these important and real operational matters, however, exist other “structural” hurdles to new gas-fired generation of any sort. These structural elements include, but may not be limited to, the following:

- At present, natural-gas generation plays a very limited role in price-setting in Ontario.
- The substantial potential for returning nuclear generation from a mothballed state over the next several years.
- Market rules that arguably favor imports of power over exports of power.
- The continuing market dominance of Ontario Power Generation.
- Capital markets that have experienced much recent “turmoil” in merchant generation ventures in other jurisdictions. They seek clarity and stability with respect to market structure and rules governing these ventures

**PART 4 – EXTERNAL CONSULTATION MEETING**

If you believe that a special meeting of stakeholders would be necessary/desirable to discuss the issues raised by the rule amendment, please complete the following information:

External Stakeholdering meeting necessary/desirable (please indicate with X):

Reason(s) why you believe a meeting is necessary/desirable: re they are willing to finance them.