



Market Rule Amendment Proposal

PART 1 – MARKET RULE INFORMATION

Subject: Transmission Rights Market		
Title : Transmission Rights Market Contingency Plan and Clean-up – Contingency Plan		
Nature of proposal (please indicate with X on the right): Alteration Deletion Addition X		
Chapter: 8	Appendix:	
Sections : 4.1		
Sub-sections proposed for amending: 4.1.6 (new); 4.1.7 (new); 4.1.8 (new)		

PART 2 – PROPOSAL HISTORY

Issue	Reason for Issue	Date
	Amendment Submission (MR-00196 Q00-Q02; IMOTP 104-4) endorsed by Technical Panel	14 May 2002
1.0	Technical Panel Review (IMOTP 105-3b)	24 May 2002
2.0	Posted for Stakeholder Review and Comment	29 May 2002

PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

Provide a brief description of the following:

- The reason for the proposed amendment and the impact the *IMO-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 *IMO-administered markets*.

It is proposed that the IMO be authorized to cancel, or reasonable modify the manner in which it conducts, a transmission rights auction. The IMO would be permitted to take these actions only for a failure in market participant or IMO software, hardware or communication systems associated with a transmission rights auction. If the IMO were to exercise these authorities, it would be obligated to notify all market participants prior to taking any such action. The over-riding intent is to conduct a transmission rights market auction with as many transmission rights market participants as practicable.

The current market rules do not contemplate that it may not be possible to conduct a transmission rights auction exactly as specified in the market rules. Failures in the market participant or IMO-administered market software, hardware or communication systems may make conducting an auction exactly as specified physically impossible. The market rules should recognize this contingency and authorize the IMO to cancel or reasonably modify the transmission rights auction activities under these circumstances, and hence make the transmission rights market more robust.

Such a change is consistent with the following legislated objects of the IMO: “to establish and operate the IMO-administered markets to promote the purposes of the *Electricity Act, 1998*”. The applicable purposes of the *Electricity Act, 1998* that this amendment addresses are “to provide generators, retailers and consumers with non-discriminatory access to transmission and distribution systems in Ontario” and “to promote economic efficiency in the generation, transmission and distribution of electricity;”. A more robust transmission rights market will contribute to meeting these purposes.

The proposed amendments explicitly authorize the IMO to:

- Conduct a transmission rights auction using contingency procedures, including the contingency plan specified in the applicable market manual (refer to new section 4.1.6.1). In Market Manual 4.4 Transmission Rights Auction Appendix F “TRA Contingency Plan” a procedure is described to address a failure in the market participant interface. It is not possible to develop, in advance, contingency procedures for all possible failures or circumstances, and so the proposed amendment has a general provision for the IMO to invoke contingency procedures depending on the specific circumstances.
- Conduct a transmission rights auction and related activities under timelines different than those specified in the market rules (refer to new section 4.1.6.2). The market rules specify the dates for short-term and long-term auction (sections 4.10 and 4.11 respectively), as well as timelines for issuing settlement statements and invoices, as well as for payment (chapter 8 section 4.19 and chapter 9 section 6). Depending on the nature or cause of the failure and the time required to remedy it, it may be necessary to delay a transmission rights auction so that it would occur outside of the timelines currently specified in the market rules. It may also be necessary to compress the time allowed for the related activities in order that the auction is completed and transmission rights awarded before the start of period for which the rights apply. This flexibility is necessary to ensure that auctions can be conducted, even if under compressed timelines, to benefit the market.

- Cancel all or part of a transmission rights auction. This action would be taken if the failure cannot be remedied in time for the auction and related activities to be completed in time for the start of the period for which the rights apply.

In addition, the proposed amendments obligate the IMO to notify, as soon as practicable, all TR participants that it is taking any of the above actions and provide information regarding the revised procedures and timelines (refer to new section 4.1.7). The intent is to provide TR participants with sufficient time and information to prepare for the auction.

It is also proposed to explicitly obligate those TR participants that wish to participate in a transmission rights auction that is being conducted under contingency procedures and/or revised timelines to comply with the applicable contingency procedures and revised timelines specified by the IMO (refer to new section 4.1.8).

An alternative solution that was considered was that the transmission rights market auctions under the above failure scenarios would be “suspended” under chapter 7 section 13. This approach was not chosen because a transmission rights market auction is a discrete event, rather than a continuous event as is the real-time market. The market suspension provisions of chapter 7 section 13 are judged to be more applicable to the continuous nature of the real-time markets. Changes to, delays in, or cancellation of a transmission rights auction are best addressed in a manner more suited to its different nature and as proposed.

PART 4 – PROPOSED AMENDMENT

4.1 Purpose, Interpretation, and Transition

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4.1.6 The *IMO* may, for reasons of a failure in *TR participant* or *IMO* software, hardware or communication systems associated with a *TR auction*:

4.1.6.1 conduct a *TR auction* using contingency procedures, including but not limited to the contingency procedures defined in the applicable *market manual*;

4.1.6.2 conduct a *TR auction* and related activities along timelines other than those specified within this section 4; or

4.1.6.3 as a last resort and only in the event that the *IMO* cannot reasonably conduct an effective *TR auction* using contingency procedures and/or modified timelines, cancel all or part of a *TR auction*.

4.1.7 The *IMO* shall, as soon as practicable and prior to taking any action pursuant to section 4.1.6, notify all *TR participants* of any *TR auction* cancellation, and/or any contingency procedures, revised timelines and revised activity schedules which the *IMO* intend to implement.

4.1.8 *TR participants* shall comply with any applicable contingency procedures, revised activity schedules or revised timelines specified by the *IMO* under sections 4.1.6 and 4.1.7.

Publication Date:

Effective Date:

PART 5 – IMO BOARD COMMENTS