



Market Rule Amendment Proposal

PART 1 – MARKET RULE INFORMATION

Identification No.:	MR-00248-R00		
Subject:	Market Regulation		
Title:	Rule Amendments Consequential to IMO Permanent Licence and Amendments to the OEB Act		
Nature of Proposal:	<input checked="" type="checkbox"/> Alteration	<input type="checkbox"/> Deletion	<input type="checkbox"/> Addition
Chapter:	2 and 4	Appendix:	
Sections:	1.2 (Ch.2), 3.3 (Ch.4)		
Sub-sections proposed for amending:	1.2.0 (Ch.2), 3.3.1.13 new (Ch.4)		

PART 2 – PROPOSAL HISTORY

Version	Reason for Issuing	Version Date
1.0	For Technical Panel Review	July 7, 2004
2.0	For Technical Panel Review	July 20, 2004
3.0	Posted for Stakeholder Review and Comment	July 28, 2004
4.0	For Technical Panel Review	Aug. 17, 2004
5.0	Recommended by Technical Panel and submitted for IMO Board approval	Aug. 26, 2004
Approved Amendment Publication Date:		
Approved Amendment Effective Date:		

PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

Provide a brief description of the following:

- The reason for the proposed amendment and the impact on 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*.

Summary

It is proposed to align the market rules with the provisions of the permanent OEB licence issued to the IMO and changes to OEB regulations regarding transmitters. The proposed rule amendments include:

- Authorizing the IMO to enter into operating agreements with market participants that own or operate a transmission system (i.e. are transmitters) but that do not have an OEB transmitter's licence;
- Obligating transmitters that do not have an OEB transmitter's licence to enter into an operating agreement with the IMO, upon request by the IMO to do so;
- Clarifying the application of market rules for transmitters that do not have an OEB transmitter's licence (e.g. obligations, collection and distribution of transmission charges); and
- Removal of OEB approval of ancillary service standard form contracts.

Background

On July 31, 2003, the OEB issued a permanent licence to the IMO to direct the operation of transmission systems in Ontario and operate the markets established by the market rules. The IMO permanent licence can be found at:

http://www.theimo.com/imoweb/pubs/corp/EI-2003-0088_IMO-Licence_2003jul31.pdf

This permanent licence, which replaces the IMO transitional licence, has some significant changes relative to the transitional licence. Some current market rules, originally drafted to be consistent with the IMO transitional licence, need to be amended to align the market rules with the permanent licence. The changes to the IMO licence that impact the market rules include:

- The IMO may now enter into agreements, as required, with transmitters (i.e. persons who own or operate a transmission system) providing for the IMO to direct the operation of that transmission system whether or not that person has an OEB transmitter's licence.
- The definition of ancillary services has been expanded to include other existing and future potential ancillary services; and
- OEB approval of ancillary services and must-run contracts is no longer required. The approval now lies entirely with the IMO Board although if the IMO and the market participant cannot reach agreement the matter will be determined by the OEB.

As a result of the amendments to the OEB Act (Ontario Regulation 20/02 and Ontario Regulation 41/04) certain transmitters are exempt from the need to obtain an OEB transmitter's licence. However, the exemption from the need to obtain an OEB transmitter's licence does not constitute an exemption from the market rule obligations and operational requirements relating to transmitters. These non-licenced transmitters would have an OEB licence regarding other activities specified in section 57 of

PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

the OEB Act. Transmitters that do not have a transmitter's licence would still need to comply with applicable market rule obligations related to transmitters. These market rule obligations currently apply to non-licensed transmitters as the market rules define a transmitter as a person that owns or operates a transmission system. Non-licensed transmitters however, would be excluded from the market rules provisions relating to payment for transmission services because these transmitters are not included in the provincial transmission pools. The market rules should be amended to:

- clarify the obligations of non-licensed transmitters, and
- clarify that the market rule provisions regarding transmission service charges only apply to licensed transmitters who are participating in the OEB approved provincial transmission pools.

Discussion

The following amendments to the market rules are proposed to align the market rules with the IMO permanent licence and amendments to the OEB Act;

- align the market rules definition of ancillary services with the definition within the IMO permanent licence (i.e. include black start as an ancillary service and allow for other such services that the IMO might consider in the future). Refer to R02.
- modify the obligation under chapter 2, section 1.2, to require market participants to be subject to the market rules applicable to them rather than relating only to the activities authorized under their licence. As noted above, recent OEB regulations exempt certain transmitters from the need to obtain an OEB transmitter license. However, the exemption from the need to obtain an OEB transmitter license does not constitute an exemption from the market rule obligations relating to transmitters. Refer to R00
- include an obligation under chapter 4, section 3.3 that requires all transmitters (i.e. market participants that own or operate a transmission system), licensed or non-licensed, upon the request of the IMO, to enter into an operating agreement with the IMO providing for the IMO operational direction of the transmitter's transmission system to maintain the reliability of the IMO-controlled grid. This market rule obligation for non-licensed transmitters is necessary as licensed transmitters have a licence obligation to enter into an operating agreement at the request of the IMO. Refer to R00

The IMO will determine, on a case-by-case basis, the need for an agreement with non-licensed transmitters and the form of the agreement required. The criteria for this determination will include whether or not the reliability and operational issues can be adequately addressed through other market mechanisms e.g. the market rules or market manuals. When an agreement is judged to be necessary, the agreement will set out the operational requirements and obligations of the non-licensed transmitter. In this regard, the form of agreement will be contingent on and commensurate with the potential reliability impacts of the transmission facilities on the IMO-controlled grid, and resulting operational requirements and obligations of the non-licensed transmitter. Where the IMO determines that an agreement is not required because, among other things, the transmission facilities will have no adverse reliability impacts on the IMO-controlled grid, this does not in any way constitute an exemption from the operational requirements and obligations as they apply to the transmitter, unless such exemption was sought by the transmitter and granted by the IMO. In this regard, the IMO's authority to direct the operation of the transmitter's transmission system, and the transmitter's responsibilities to the IMO with respect to the operational requirements and obligations pertaining to its transmission facilities are directed by the participant agreement pursuant to which the IMO and the transmitter agreed, among other things, to be bound by the

PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

market rules;

- amend chapter 4, section 6.1.10 to clarify that a transmitter (licenced or non-licenced) is not required to design and construct connection facilities unless it is required to by its licence, ordered to do so by the OEB or if there is an agreement between the transmitter and the connection applicant that addresses issues such as how a transmitter can recover the costs associated with the connection. Refer to R01.
- Revise the obligation on transmitters (chapter 4, section 6.4.3) to disconnect facilities or equipment from the IMO-controlled grid under emergency circumstances, to do so in accordance with the market rules as well as its licence or a code issued by the OEB. Refer to R01.
- remove the provisions under chapter 7, section 9.3.3 and 9.6.10 (ancillary and must-run contracts) that require OEB approval of contract form or standard contract form, and OEB filing, where it is determined that a fair and efficient outcome of a contract could not be accomplished. The approval of ancillary service and must-run contracts now lies entirely with the IMO Board of Directors or its delegate. Refer to R02.
- include a provision in chapter 7, section 9.3 and section 9.6 (9.3.6 and 9.6.13) and that requires that where the IMO and a market participant cannot reach agreement upon the terms and conditions of a proposed ancillary service or must-run contract, the matter shall be determined by the OEB. Refer to R02.
- amend the references to section 9.3.3 and 9.6.10 of chapter 7 to now refer to the new sections 9.3.6 and 9.6.13. Refer to R02
- amend the following rules associated with transmission tariff or service charges to exclude transmitters for whom the OEB has not issued a rate order regarding transmission service charges.
 - chapter 9, section 4.1 (transmission tariff charges);
 - chapter 10, section 3.1.3 (network service charges);
 - chapter 10, section 5.1.3 (line connection service charges);
 - chapter 10, section 6.1.3 (transformation connection service charges); and
 - chapter 10, section 6.A.1.1 (other transmission service charges)
 Refer to R01.

PART 4 – PROPOSED AMENDMENT

Chapter 2

1.2 Participation

1.2.0 A person who has been issued a *licence* by the *OEB* pursuant to Part V of the *Ontario Energy Board Act, 1998*, is subject to all *market rules* relating to the activities authorized by such *licence* and all other applicable market rules.

Chapter 4

3.3 Obligations of Transmitters

Each *transmitter* shall:

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3.3.1.9A follow *good utility practice* to promptly return *transmission facilities* and equipment to service after an interruption; ~~and~~

3.3.1.10 [Intentionally left blank]

3.3.1.11 [Intentionally left blank]

3.3.1.12 complete and return to the *IMO* those portions of the *IMO catalogue of reliability-related information* relevant to its *facilities*; ~~and~~

3.3.1.13 upon the request of the *IMO*, enter into an *operating agreement with the IMO*.

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PART 5 – IMO BOARD COMMENTS

Insert Text Here



Market Rule Amendment Proposal

PART 1 – MARKET RULE INFORMATION

Identification No.:	MR-00248-R01		
Subject:	Market Regulation		
Title:	Rule Amendments Consequential to IMO Permanent Licence and Amendments to the OEB Act – Transmitter Obligations and Transmission Service Charges		
Nature of Proposal:	<input checked="" type="checkbox"/> Alteration	<input type="checkbox"/> Deletion	<input type="checkbox"/> Addition
Chapter:	4, 10	Appendix:	
Sections:	6.1, 6.4 (Ch.4), 3.1, 5.1, and 6.1 (Ch.10)		
Sub-sections proposed for amending:	6.1.10, 6.4.3 (Ch.4), 3.1.3, 5.1.3, 6.1.3, (Ch.10)		

PART 2 – PROPOSAL HISTORY – REFER TO R00

Version	Reason for Issuing	Version Date
Approved Amendment Publication Date:		
Approved Amendment Effective Date:		

PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

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- The reason for the proposed amendment and the impact on the *IMO-administered markets* if the amendment is not made
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Refer to R00

PART 4 – PROPOSED AMENDMENT

Chapter 4

6.1.10 Each *transmitter* shall, if required by its licence, or an order of the OEB or by an agreement between the transmitter and the connection applicant, use its best efforts to undertake the design, ~~licensing~~ and construction of any *connection facilities* that are necessary to bring about any new or modified *connections* to the *IMO-controlled grid* that have been the subject of a *connection assessment* completed in accordance with sections 6.1.14 to 6.1.18 and, if applicable, sections 6.1.22 and 6.1.23 on a timely basis and in accordance with the requirements of this Chapter.

.....

6.4.3 A *transmitter* may, in accordance with the provisions of its *licence*, ~~or of~~ any code issued by the *OEB* with which the *transmitter* is required to comply, or the market rules, immediately *disconnect* from the *IMO-controlled grid* the *facilities* or equipment of a person where:

6.4.3.1 such action is urgently required as a result of a threat to the safety of persons, property or the environment, or a threat of physical damage to the *transmitter's* assets;

6.4.3.2 the urgency is such that there is insufficient time to notify the *IMO* prior to such action being taken; and

6.4.3.3 the *transmitter* is the operator of the connection facility.

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Chapter 10

- 3.1.3 Each *transmitter* whose *transmission system* forms part of the *IMO-controlled grid* and to whom the OEB has issued a rate order shall:
- 3.1.3.1 provide to the *IMO*, and update as required, a list of those *transmission customers* that, pursuant to the terms of a-the rate order issued to the *transmitter* by the *OEB*, are required to pay charges in respect of *network service* relating to such *transmission system*; and
 - 3.1.3.2 for each *transmission customer* identified in the list referred to in section 3.1.3.1, provide to the *IMO*, as required under any agreement between the *IMO* and the *transmitter*, written confirmation of its approval of that portion of the *meter point* documentation specified in such agreement and of any updates thereto prepared in accordance with section 1.3 of Appendix 6.5 of Chapter 6 for each transmission delivery point, as described in the applicable transmission rate schedule approved by the *OEB*, for such *transmission customer*.

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- 5.1.3 Each *transmitter* whose *transmission system* forms part of the *IMO-controlled grid* and to whom the OEB has issued a rate order shall:
- 5.1.3.1 provide to the *IMO*, and update as required, a list of those *transmission customers* that, pursuant to the terms of a-the rate order issued to the *transmitter* by the *OEB*, are required to pay charges in respect of *line connection service* relating to such *transmission system*; and
 - 5.1.3.2 for each *transmission customer* identified in the list referred to in section 5.1.3.1, provide to the *IMO*, as required under any agreement between the *IMO* and the *transmitter*, written confirmation of its approval of that portion of the *meter point* documentation specified in such agreement and of any updates thereto prepared in accordance with section 1.3 of Appendix 6.5 of Chapter 6 for each transmission delivery point, as described in the applicable transmission rate schedule approved by the *OEB*, for such *transmission customer*.

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- 6.1.3 Each *transmitter* whose *transmission system* forms part of the *IMO-controlled grid* and to whom the OEB has issued a rate order shall:
- 6.1.3.1 provide to the *IMO*, and update as required, a list of those *transmission customers* that, pursuant to the terms of a-the rate order issued by the

OEB, are required to pay charges in respect of *transformation connection service* relating to such *transmission system*; and

- 6.1.3.2 for each *transmission customer* identified in the list referred to in section 6.1.3.1, provide to the *IMO*, as required under any agreement between the *IMO* and the *transmitter*, written confirmation of its approval of that portion of the *meter point* documentation specified in such agreement and of any updates thereto prepared in accordance with section 1.3 of Appendix 6.5 of Chapter 6 for each transmission delivery point, as described in the applicable transmission rate schedule approved by the *OEB*, for such *transmission customer*.

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PART 5 – IMO BOARD COMMENTS

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Market Rule Amendment Proposal

PART 1 – MARKET RULE INFORMATION

Identification No.:	MR-00248-R02		
Subject:	Market Regulation		
Title:	Rule Amendments Consequential to IMO Permanent Licence and Amendments to the OEB Act - Ancillary Services		
Nature of Proposal:	<input checked="" type="checkbox"/> Alteration	<input type="checkbox"/> Deletion	<input type="checkbox"/> Addition
Chapter:	7, 11	Appendix:	
Sections:	9.3, 9.6 (Ch.7)		
Sub-sections proposed for amending:	9.3.1, 9.3.2, 9.3.3, 9.3.6 new, 9.5.1, 9.6.7, 9.6.8, 9.6.9, 9.6.10, 9.6.13 new, 9.7.1 (Ch.7)		

PART 2 – PROPOSAL HISTORY – REFER TO R00

Version	Reason for Issuing	Version Date
Approved Amendment Publication Date:		
Approved Amendment Effective Date:		

PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

Provide a brief description of the following:

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- The proposed amendment, how the amendment addresses the above reason and impact of the proposed amendment on the *IMO-administered markets*.

Refer to R00

PART 4 – PROPOSED AMENDMENT**Chapter 7****9.3 Contracted Ancillary Service Contracts**

9.3.1 The *IMO* shall enter into *contracted ancillary service* contracts with *ancillary service providers*. Such agreements shall, subject to sections 9.3.36 and 9.3.4:

9.3.1.1 be limited in term to not more than 18 months; and

9.3.1.2 compensate any *ancillary service provider* for levels of service above those required to be provided by the *connection* requirements of Chapter 4.

9.3.2 Subject to section 9.3.36, the *IMO* shall use one or a combination of the following processes to conclude *contracted ancillary service* contracts with *ancillary service providers*:

9.3.2.1 where practical, the *IMO* shall employ a competitive tendering or negotiation process to identify multiple potential *ancillary service providers* and to determine competitive prices and other terms for the *contracted ancillary service* contracts; or

9.3.2.2 the *IMO* may negotiate *contracted ancillary service* contracts with a single potential *ancillary service provider* where the *IMO* determines that this will result in reasonable prices and other terms.

9.3.3 ~~[Intentionally left blank] Where the *IMO* determines, in accordance with any guidelines issued by the *Ontario Energy Board*, that the processes described in section 9.3.2 will not accomplish a fair and efficient outcome, the *IMO* shall, if required by its licence:~~

- ~~9.3.3.1 — establish and submit for the approval of the *Ontario Energy Board* a standard, cost-based *contracted ancillary service* contract;~~
- ~~9.3.3.2 — contract with the relevant *ancillary service providers* using a *contracted ancillary services* contract in the form approved by the *Ontario Energy Board* pursuant to section 9.3.3.1; and~~
- ~~9.3.3.3 — file the *contracted ancillary service* contract referred to in section 9.3.3.2 with the *Ontario Energy Board* for approval following the conclusion of such contract.~~
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9.3.6 Where the *IMO* and the *ancillary service provider* are unable to reach agreement upon the terms and condition of a proposed *ancillary service* contract, or an amendment to an *ancillary service* contract, the matter shall be determined by the *Ontario Energy Board*.

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9.5 Payment for Ancillary Services and Recovery of Costs

- 9.5.1 Subject to sections 9.3.36 and 9.3.4, the price payable by the *IMO* under a *contracted ancillary service* contract may cover any of the following:
- 9.5.1.1 the cost of being available to provide a *contracted ancillary service* if instructed by the *IMO* to do so;
- 9.5.1.2 the out-of-pocket costs and the opportunity costs of actually providing the *contracted ancillary service* when instructed by the *IMO* to do so; and
- 9.5.1.3 such other compensation as the *IMO* determines to be fair and reasonable under the circumstances.

9.6 Definition and Principles of Must-Run Contracts

- 9.6.7 Subject to section 9.6.103, the *IMO* shall use one or a combination of the following processes to conclude *reliability must-run contracts* pursuant to section 9.6.2:
- 9.6.7.1 where practical, the *IMO* shall employ a competitive tendering or negotiation process to identify multiple potential suppliers and to determine competitive prices and other terms for the *reliability must-run contract*; or

9.6.7.2 the *IMO* may negotiate *reliability must-run contracts* with a single potential supplier where the *IMO* determines that this will result in reasonable prices and other terms.

9.6.8 Subject to sections 9.6.103 and 9.6.11:

9.6.8.1 the *IMO* may develop standard forms of *reliability must-run contracts* for use in conjunction with sections 9.6 and 9.7,

.....

9.6.9 Subject to sections 9.6.103 and 9.6.11, the *IMO* may include in any *reliability must-run contract*, other than a standard form *reliability must-run contract* referred to in section 9.6.8.2, the compensation provisions referred to in section 9.6.8.2 or such other compensation provisions as the *IMO* determines appropriate.

9.6.10 ~~[Intentionally left blank] Where the *IMO* determines, in accordance with any guidelines issued by the *Ontario Energy Board*, that the processes noted in sections 9.6.5 or 9.6.7 will not accomplish a fair and efficient outcome the *IMO* shall, if required by its *licence*:~~

~~9.6.10.1—establish and submit for the approval of the *Ontario Energy Board* a standard, cost-based *reliability must-run contract*;~~

~~9.6.10.2—contract with the registered *market participant* or prospective *registered market participant* in respect of the relevant *reliability must-run resource* using a *reliability must-run contract* in the form approved by the *Ontario Energy Board* pursuant to section 9.6.10.1; and~~

~~9.6.10.3file the *reliability must-run contract* referred to in section 9.6.10.2 with the *Ontario Energy Board* for approval following the conclusion of such contract.~~

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9.6.13 Where the *IMO* and the *registered market participant* or *prospective registered market participant* are unable to reach agreement upon the terms and condition of a proposed *reliability must-run contract*, or an amendment to a *reliability must-run contract*, the matter shall be determined by the *Ontario Energy Board*.

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9.7.1 Subject to sections 9.6.103 and 9.6.11, the *IMO* shall include in each *reliability must-run contract* terms and conditions that address, at a minimum, the following:

Chapter 11

ancillary service means ~~a~~ services necessary to maintain the *reliability* of the *IMO controlled grid*, including, but not limited to, frequency control, *black start capability*, *voltage control*, reactive power ~~and~~, *operating reserve* and any other such services established by the *market rules*;

PART 5 – IMO BOARD COMMENTS

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