



Market Rule Amendment Submission

This form is used to request an amendment to, or clarification of, the *Market Rules*. Please complete the first four parts of this form and submit the completed form by email or fax to the following:

Email Address: Rule.Amendments@theIMO.com

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

Subject: *Market Rule Amendment 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*.

PART 1 – SUBMITTER’S INFORMATION

Please enter contact information in full

Name: IMO Staff	
(if applicable) <i>Market Participant / Metering Service Provider No.</i> ¹ :	<i>Market Participant Class:</i>
Telephone: 416-506-2801	Fax: 416-506-2847
Email Address: rule.amendments@theimo.com	

PART 2 – MARKET RULE AMENDMENT SUBMISSION INFORMATION

Subject: Day Ahead Market		
Title: DAM Financial Transmission Rights		
Nature of request (please indicate with X): <input checked="" type="checkbox"/> Alteration <input type="checkbox"/> Deletion <input type="checkbox"/> Addition <input type="checkbox"/> Clarification		
Chapter: 8	Appendix:	Sections: 4
Sub-sections proposed for amending/clarifying : 4.4.1, 4.4.2, 4.12.1, 4.18, 4.19		

¹ This number is a maximum of 12 characters and does not include any spaces or underscore.

PART 3 – DESCRIPTION OF THE ISSUE

Provide a brief description of the issue and reason for the proposed amendment. If possible, provide a qualitative and quantitative assessment of the impacts of the issue on you and the *IMO-administered markets*. Include the Chapter and Section number of the relevant market rules.

The IMO Board has directed that the IMO proceed with the detailed design and development of market rule amendments for the day-ahead market, consistent with the high-level design strawman¹. One area of market rule amendments needed is to incorporate the operation of the Transmission Rights (TR) Market within the day-ahead market (DAM). The following is a brief summary of the changes to the TR market as a result of the proposed introduction of the DAM. Contained within the DAM detailed design document for DAM and RTM Integration² there are additional details on the transmission rights process.

The market rules in Chapter 8 section 4 specify certain rights and obligations for both the IMO and market participants with respect to the operation of the transmission rights market. The introduction of DAM does not impact the process of determining the number of transmission rights available for auction from a rules perspective or the process in which participants can acquire the TRs. The only impact identified in the high-level design is the time period (or market) to which the TR applies and hence the manner in which TR payments to TR holders are calculated. Under a DAM regime, congestion payments to TR holders will be based on intertie congestion as calculated in the DAM rather than as calculated in the real-time market. This enables market participants participating in the DAM to have a hedging mechanism in the DAM and consequently will also drive import and export transactions from real-time to the DAM. As a result of this change, TR participants may put a different value on TRs being offered for auction that would be settled under the DAM congestion determination and therefore change their bidding strategy for those TRs.

In order that TR market participants be able to bid for TRs in knowledge of the basis for payment of those TRs, they will need to be notified when the payment provisions for any TRs will change. The transition from real-time TR to day-ahead TR will need to be carefully scheduled and coordinated due to the timing of long term auctions. Specifying the exact date for DAM commencement may be very difficult and that needs to be taken into consideration when developing a cutover mechanism for introducing TR auctions that would be based on DAM prices. This is similar to the issue encountered when the real-time market commenced and it was necessary for the IMO to try and determine when the TR market could also be initiated. The options range from notification being required 12 months prior to the DAM commencement to the potential delay in the cut over from Real-time Market Congestion payments until after the DAM commencement has occurred. Market Participants through previous consultations on the operation of the TR market have made it known their preference is to maximize the number of long-term TRs available for auction. Currently the detailed design documents are posted on the IMO website for comments for a period ending September 27, 2004. The IMO will take into the consideration any feedback received from market participants on these issues before recommending a cutover mechanism to the Technical Panel when the amendment proposal is brought to the panel for its review and consideration.

¹ The DAM high level design strawman is publicly available on the IMO website at the following location: http://www.theimo.com/imoweb/pubs/consult/mep/DAM_WG_Strawman-4_0.pdf

²http://www.theimo.com/imoweb/pubs/consult/mep/dam_wg_IMO_DES_0015_DAM_RTM_Integration.pdf

PART 3 – DESCRIPTION OF THE ISSUE

Pre-auction reports are published in advance of any TR auction. The basis of these reports is to provide TR participants with data to assist them in deriving the future value of TRs they may be bidding on. The requirement to provide this information does not change with the incorporation of the DAM for settlement for TRs. Rather, certain TR pre-auction reports data would need to be retrieved from DAM results instead of real-time market results e.g. energy price for each TR zone. Consequently, these reports will need to be published at the point in time when the DAM commences. In addition, all of the existing pre-auction reports based on historical operational real-time data must also be retained until such time as TR products are being offered based on DAM prices.

PART 4 – PROPOSAL (BY SUBMITTER)

Provide your proposed amendment. If possible, provide suggested wording of proposed amendment.

It is proposed that Chapter 8, section 4 be amended as follows:

- Section 4.4.1 needs to reflect the concept that settlement amounts for TR holders will be calculated in the DAM. This section also needs to be amended to specify the cut over timing for changing the calculation of settlement amounts to TR holders from real-time market calculations to DAM calculations
- Section 4.4.2 needs to be amended to reflect that changes to TR payments contemplated in this section as a result of interconnection outages will be considered for interconnection outages as reflected in the DAM market, not the real-time market.
- Section 4.12. A number of pre-auction publications will all require amendments to reflect the introduction of new and/or modified data resulting from the operation of the DAM market. Hourly Prices - With the movement of settlement to TR holders to DAM, DAM Pass 5 prices must be published starting at DAM commencement and the current real-time price publishing maintained until 12 months after market commencement. Hourly Schedules and Flows - With the introduction of DAM, the hourly schedules is one component in determining congestion pricing and thus will need to identify the DAM intertie schedules. Hourly Transfer Capability - With the introduction of DAM, the transfer capability utilized in DAM is one component in determining congestion pricing. This report will need to identify the Hourly Transfer Capability used in creating the DAM schedules.
- There may also be consequential amendments to Section 4.18 and 4.19 to facilitate the changes proposed to section 4.4.1.

PART 5 – FOR IMO USE ONLY

<i>Technical Panel Decision on Rule Amendment Submission</i>	
MR number: MR-00276-Q00	
Date submitted to <i>Technical Panel</i>: September 16, 2004	
Accepted by <i>Technical Panel</i> as: <input type="checkbox"/> General <input type="checkbox"/> Urgent <input type="checkbox"/> Minor (please indicate with X)	Date: N/A
Criteria for acceptance: N/A	
Priority: N/A	
Criteria for assigning priority: N/A	
Not accepted (please indicate with X):	
Clarification/interpretation required (please indicate with X):	
<i>Technical Panel</i> minutes reference: IMOTP-150-1	
<i>Technical Panel</i> Comments:	