



## 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](mailto: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

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

### PART 2 – MARKET RULE AMENDMENT SUBMISSION INFORMATION

<b>Subject: Resource Adequacy Market</b>		
<b>Title: Resource Adequacy Market Rules</b>		
<b>Nature of request (please indicate with X): __Alteration__ Deletion <input checked="" type="checkbox"/> Addition __ Clarification</b>		
<b>Chapter: 13 (new)</b>	<b>Appendix: N/A</b>	<b>Sections: N/A</b>
<b>Sub-sections proposed for amending/clarifying : N/A</b>		

<sup>1</sup> 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.

Resulting from consultation with market participants and other stakeholders, the IMO has developed a draft High-Level Design of a Resource Adequacy Market (RAM) which can be found at: [http://www.iemo.com/imoweb/pubs/consult/mep/LTRA\\_WG\\_RAM\\_HighLevelDesign.pdf](http://www.iemo.com/imoweb/pubs/consult/mep/LTRA_WG_RAM_HighLevelDesign.pdf).

The IMO Board has directed the IMO to proceed with the development of the RAM design and draft market rule amendments.

The RAM is an explicit market mechanism to secure adequate resources to meet future electricity demand plus applicable reserve margins. The RAM secures adequate resources (i.e. capacity) through a market-based auction process where persons submit offers to make capacity available to meet electricity needs for a pre-determined future timeframe. The following points provide an overview of how the RAM will operate to achieve reliability benefits to Ontario's power system:

Prior to the RAM auction the IMO, in conjunction as necessary with the Ontario Power Authority after it is operational, would perform the following functions to enable the auction:

- Produce resource assessments (e.g. similar to assessments performed by the IMO to produce the 10-Year Outlook) and use existing reliability standards (consistent with Northeast Power Coordinating Council standards) to determine a resource adequacy requirement (i.e. a target level of resources required to meet future electricity demand, including adequate reserve margins) for Ontario;
- Determine locational (i.e. zonal) resource adequacy requirements;
- Pre-qualify multiple types of resources (i.e. facilities) to ensure they are sufficiently able to produce energy when the power system most requires it – eligible facilities would include planned generation, some existing generation and demand-response, but not include imports; and
- Determine the planning horizon (i.e. in what future year are resources required to start producing electricity) and the commitment period (i.e. for what duration will resources be paid) – these two timeframes establish the time parameters of the auction.

The RAM auction will likely be conducted annually. The RAM auction is a simple (i.e. closed) auction where eligible market participants submit sealed-offers to provide unforced capacity (UCAP). UCAP is a calculation of a facility's net capacity normalized by a forced outage rate that measures the facility's capability to produce energy reliably.

Resulting from the RAM auction, adequate resources will be secured to meet the resource adequacy requirements. The following points outline post-auction activities and obligations:

- All market participants that were selected in the RAM auction will be obligated to ensure their facilities produce energy through 'must-offers' into the proposed DAM<sup>1</sup> for the entire commitment period; and

<sup>1</sup> If the DAM is not in-service, market participants would then be obligated to submit 'must-offers' into the real-time market's pre-dispatch process.

**PART 3 – DESCRIPTION OF THE ISSUE**

- These market participants receive RAM payments (i.e. the RAM market-clearing price multiplied by their selected UCAP MW quantity) only when they have fulfilled their ‘must-offer’ obligations into the DAM. Buyers (e.g. loads) are then charged these costs in proportion to the electricity they purchase or consume during the commitment period via uplift. RAM payments are a separate revenue stream to those from the real-time market and DAM.

**PART 4 – PROPOSAL (BY SUBMITTER)**

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

A proposed new Chapter 13 – The Resource Adequacy Market will specify IMO and market participant obligations and authorities required for the RAM. These IMO and market participant obligations and authorities are listed below:

IMO Obligations and Authorities:

- Determine resource adequacy requirements including locational requirements;
- Determine the Planning Horizon;
- Determine the Commitment Period; and
- Auction Formulation and Timing, including primary and supplemental auctions.

Market Participant Obligations and Authorities:

- Meet pre-qualification requirements, including authorization, credit, financial support, technical requirements;
- Comply with auction requirements (e.g. timelines, offer information requirements); and
- If successful in RAM auction, register their facility (if not already registered), submit ‘must-offers’ in DAM, follow dispatch.

Additional rules regarding compliance and penalties will be required in Chapter 3 to address situations where a successful RAM participant does not meet their ‘must-offer’ obligation.

Amendments to Chapter 9 (Settlements) will be required regarding:

- Formulation of RAM payments; and
- Allocation of uplifts to recover the RAM payments will be required in Chapter 9.

The Capacity Reserve Market (CRM) rules in Section 10 of Chapter 7 shall be deleted.

## PART 5 – FOR IMO USE ONLY

<b>Technical Panel Decision on Rule Amendment Submission</b>	
<b>MR number: MR-00287</b>	
<b>Date submitted to Technical Panel:</b> 15 Oct 04	
<b>Accepted by Technical Panel as:</b> <input type="checkbox"/> General <input type="checkbox"/> Urgent <input type="checkbox"/> Minor (please indicate with X) N/A	<b>Date:</b> 20 Oct 04
<b>Criteria for acceptance:</b> N/A	
<b>Priority:</b> High	
<b>Criteria for assigning priority:</b> N/A	
<b>Not accepted</b> (please indicate with X):	
<b>Clarification/interpretation required</b> (please indicate with X):	
<b>Technical Panel minutes reference:</b> IMOTP 151-1	
<b>Technical Panel Comments:</b>	
<p>The Panel made the following comments regarding the Resource Adequacy Market and this amendment submission.</p> <ol style="list-style-type: none"> <li>1. Clarity required on the basis by which loads would be charged uplift to cover Resource Adequacy Market payments e.g. on basis of energy consumption or energy purchased? Load capacity or consumption?</li> <li>2. Will supply external to Ontario be eligible for the RAM?</li> <li>3. Credit requirements for RAM participants needs to protect not only the market but also non-defaulting RAM participants.</li> <li>4. The commitment period is likely to be the key parameter for supplier participation in the RAM.</li> </ol>	