



## 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@ieso.ca](mailto:Rule.Amendments@ieso.ca)  
 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 *IESO* 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 *IESO* 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: <u>Powerex Corporation</u>	
(if applicable) <i>Market Participant / Metering Service Provider</i> No. <sup>1</sup> : _____	<i>Market Participant Class:</i> <u>Wholesaler</u>
Telephone: <u>(604) 891-6040</u>	Fax: <u>(604) 891-5015</u>
E-mail Address: <u>gifford.jung@powerex.com</u>	

### PART 2 – MARKET RULE AMENDMENT SUBMISSION INFORMATION

Subject: <u>Congestion Management Settlement Credits (CMSC) MR-00306-R00/01/02</u>	
Title: <u>Constrained off CMSC Payments in Designated Watch Zones</u>	
Nature of Request (please indicate with x)	Comments
<input type="checkbox"/> Alteration <input type="checkbox"/> Deletion <input type="checkbox"/> Addition <input type="checkbox"/> Clarification	
Chapter: <u>7</u> Appendix: <u>7.6</u> Sections: <u>1.2, 1.4</u>	
Sub-sections proposed for amending/clarifying: _____	

<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 *IESO-administered markets*. Include the Chapter and Section number of the relevant *market rules*.

Comments of Powerex Corporation on  
Proposed Market Rule Amendments  
Constrained off CMSC Payments in Designated Watch Zones  
Market Rule Identification No. MR-00306-R00/01/02

As requested by the Independent Electric System Operator, IESO, Powerex respectfully provides the following general comments on the Proposed Market Rule Amendments to Constrained off CMSC Payments in Designated Watch Zones.

General Comments

Powerex agrees with the IESO's stated principle "that the market participant should be financially indifferent to being constrained off relative to the profit it would have earned under the market schedule". However, the proposed market rule does not provide the assurance to market participants that they will be indifferent and the lack of transparency [and administrative complexity] in the proposed market rule increases the risk to market participants and ultimately the cost to Ontario ratepayers.

Powerex also agrees with the IESO that market rules ought to promote the market design principle of efficiency. However, the proposed market rule focuses only on the financial costs to IESO of CMSC payments but not the underlying reasons for the payments.

The unconstrained schedule recognizes the value to Ontario ratepayers of the lowest cost energy schedules. The CMSC payments are made to in-merit market participants that are constrained off in the constrained schedule. The constrained schedule recognizes the transmission constraints within the IESO service territory. A useful investigation for the IESO would be to determine the economic trade-off to Ontario ratepayers of CMSC payments versus system investments to reduce transmission constraints that then allow in-merit energy schedules to flow that ultimately result in a more efficient energy market.

There may also be unintended consequences from identifying "designated constrained off watch zones". One of the unintended consequences may be to discourage market participants from participating in the "designated constrained off watch zones". This may lead to lower CMSC payments to market participants (intended consequence) but should also lead to lower liquidity within the watch zone which would lead to higher energy prices (unintended consequence). If these unintended consequences arise, they will increase the cost to Ontario ratepayers.

In the IESO's amendment proposal, the IESO concedes that it has been unable to determine that market participants receipt of CMSC payments are necessarily the result of local market power. In the absence of any evidence, it seems counter productive to Powerex that the IESO is seeking the powers to investigate constrained off events that are in Powerex's opinion, and supported by the IESO's investigations, not the result of local market power but the result of market participants seeking to participate in the IESO service territory. Providing the IESO with broad investigative discretion without clear limitations within the proposed market rule is unduly prejudicial to market participants that have no local market power.

**PART 3 – DESCRIPTION OF THE ISSUE**

Powerex believes that the IESO has not proposed a transparent administratively simple rule nor established that these proposed market rule amendments will result in a more efficient Ontario energy market. Powerex believes that the IESO should continue with their investigations into the underlying market and technical reasons for CMSC payments. Specifically, Powerex believes that before implementing any market rule amendments the IESO should do the following:

- Determine on an hourly basis, in the absence of constrained off schedules, the market price of energy in that constrained zone;
- Determine on an monthly/annual basis, the market price of energy with and without the participation of constrained off market participants;
- Complete an analysis of the costs and benefits to Ontario ratepayers to continue with the current market design compared to investing in system improvements and/or incenting new generation investment.

Even if the IESO proceeds with implementation of this proposed market rule, Powerex believes that the analysis will guide the IESO in determining the next steps for addressing constrained transmission zones and the most efficient solution for Ontario ratepayers.

**PART 4 – PROPOSAL (BY SUBMITTER)**

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

**Specific Issues**

On specific issues, Powerex believes the IESO should improve the transparency of this market rule by setting out the publicly available data sources that will be used to determine the constrained off watch zones.

Powerex also believes that the market rule should explicitly exempt any CMSC payments from review under this market rule for Real Time transmission or generation outages. If required, affiliate abuse can be dealt with under existing local market power processes. Other market participants, especially marketers, cannot reasonably be expected to have any prior knowledge or influence on these types of real time events.

For administrative simplicity and fairness, any investigations under this market rule should be limited to the identified constrained off watch zones. Also, as soon as practical, the IESO should be required to notify market participants of any investigations into CMSC payments and a sunset clause should be added to limit the length of any investigation.

Also for administrative simplicity and market certainty, the IESO should set out how this market rule will be fairly applied in the context of other market settlement rules, such as the proposed new methods of calculating import failure settlement charges.

**PART 5 – FOR IESO USE ONLY**

<i>Technical Panel</i> Decision on Rule Amendment Submission: _____	
MR Number: _____	
Date Submitted to <i>Technical Panel</i> : _____	
Accepted by <i>Technical Panel</i> as: (please indicate with x)	Date: _____
<input type="checkbox"/> General <input type="checkbox"/> Urgent <input type="checkbox"/> Minor	
Criteria for Acceptance: _____	
Priority: _____	
Criteria for Assigning Priority: _____	
Not Accepted (please indicate with x): <input type="checkbox"/>	
Clarification/Interpretation Required (please indicate with x): <input type="checkbox"/>	
<i>Technical Panel</i> Minutes Reference: _____	
<i>Technical Panel</i> Comments: _____	