



Market Rule Amendment Proposal

PART 1 – MARKET RULE INFORMATION

Identification No.:	MR-00308-R00		
Subject:	Intertie Transactions		
Title:	Settlement Charges for Real-Time Intertie Transaction Failures		
Nature of Proposal:	<input checked="" type="checkbox"/> Alteration	<input type="checkbox"/> Deletion	<input type="checkbox"/> Addition
Chapter:	3	Appendix:	3.1
Sections:	6.6		
Sub-sections proposed for amending:	6.6.10A, 6.6.10B and 6.6.10C		

PART 2 – PROPOSAL HISTORY

Version	Reason for Issuing	Version Date
1.0	Submit for Technical Panel Review	January 5, 2006
2.0	Publish for Stakeholder Review and Comment	January 12, 2006
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 *IESO-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 *IESO-administered markets*.

Summary

It is proposed to amend the market rules to no longer treat intertie transaction failures as a compliance matter, except in the case of egregious behaviour. Instead, it is proposed that as part of the settlement process, the market participant would be assessed a new charge, called an “import/export failure charge”, that would compensate the market for intertie transactions that do not fail for “bona fide and legitimate reasons” (which as defined in the market rules largely include reasons that are beyond the control of the market participant). Where a transaction fails for bona fide and legitimate reasons, the failure charge would not be assessed. However, where egregious behaviour has occurred, the amended compliance rules would allow compliance actions to be taken to recover settlement amounts (such as transmission rights payments, congestion management settlement credits or other settlement amounts) that were made to the market participant as a result of that behaviour.

With the settlement charge acting as a deterrent, the incidence of intertie transaction failures is expected to decline under this revised approach for the treatment of intertie transaction failures. Amendments are proposed to the compliance provisions in Chapter 3, to the provisions relating to compliance with dispatch instructions in Chapter 7, to a provision relating to the transmission rights clearing account in Chapter 8, and to the settlement provisions of Chapter 9.

The compliance provisions of Chapter 3 would be amended to remove the present formulaic penalty provision. This would be replaced by an import/export failure charge that is separate from the compliance construct of Chapter 3. This settlement provision would have market participants compensate the market for deviations from their intertie transaction schedules. For circumstances of egregious behaviour where payment recovery is appropriate and presently made through the formula based penalty, a specific provision would be added to retain this right to adjust settlement amounts. Chapter 7, section 7.5.8B, Compliance with Dispatch Instructions would be amended to allow for the application of the new settlement provisions. Chapter 8, section 4.18 would be amended to allow for the return to the transmission rights clearing account of payments that were inappropriately paid to a market participant.

The settlement provisions of Chapter 9 would be amended to set out the new intertie transaction settlement charges and their disposition to the hourly uplift or to the monthly non-hourly uplift until such time as the IESO has the software capability to allocate the revenue received from these charges to the hourly uplift.

This amendment also proposes that all references to the IMO in Chapters 3, 7, 8 and 9 and in the appendix of Chapter 3 be changed to IESO to align the market rules with the corporation name change under Bill 100.

Background

Significant volumes of inter-jurisdictional energy transactions are failing in real-time in the IESO-administered market (i.e. transactions scheduled in the hour ahead pre-dispatch schedule are failing to

PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

materialize in the real-time dispatch schedule). As a result of these ongoing failures, the Market Assessment and Compliance Division (MACD) is of the view that its enforcement of the market rule provisions dealing with the component of transaction failures, perceived to be within the control of market participants has not been effective and needed review. An IESO stakeholder working group was established in March 2005 to exchange information and to obtain the views of stakeholders. Following a series of meetings to discuss the nature and significance of transaction failures and to discuss possible remedies to reduce them, MACD prepared a report with its findings that is at the following web location:

http://www.theimo.com/imoweb/pubs/consult/intertieTrading/itfwg_2005nov23_Report.pdf

See also the corresponding rule amendment submission, MR-00308-Q00 to this rule amendment proposal document.

The existing market rules address transaction failures in two provisions. Section 7.5.8A of Chapter 7 of the rules places an obligation on market participants to schedule energy across the intertie in accordance with the relevant interchange schedule. The present rules (section 6.6.10A of Chapter 3) provide for a formula-based penalty if it is determined that there are no ‘bona fide and legitimate reasons’ for the transaction failing. Section 7.5.8B states that bona fide and legitimate reasons “...include failures caused by actions and circumstances beyond the control of the market participant...” or due to errors or actions by the IESO or external system operator.

Intertie transaction failures affect both Ontario system reliability and market performance. While both are considered important, reliability is identified within the MACD report as the primary goal driving enforcement in this instance. This is consistent with the initiatives recently announced by the IESO designed to improve reliability in preparation for the summer of 2006.

Discussion

It is proposed to no longer treat transaction failures as a compliance matter, except where there appears to be egregious behaviour. Rather, as part of the settlement process, it is proposed that a market participant would compensate the market for transaction failures that are deemed to be under the market participant’s control.

As per the above mentioned MACD report: “The attractiveness of the settlement proposal is that it would remove the stigma associated with the allegation and verdict of market rule breaches and the related administrative burden on market participants and MACD in reviewing and remedying alleged breaches.” “Market participants would have an incentive to ensure that they navigate the neighbouring markets successfully by virtue of a settlement charge for their failed transactions deemed within their control.”

With the settlement charge acting as a deterrent, the incidence of intertie transaction failures is expected to decline under this revised approach for the treatment of transaction failures.

To enable this proposal, market rule amendments are required to:

- the compliance provisions of Chapter 3, as set out below under this MR-00308-R00;
- the provisions relating to compliance with dispatch instructions in Chapter 7 (see MR-00308-R01);
- section 4.18 of Chapter 8 to allow for the return to the transmission rights clearing account of payments that were inappropriately paid to a market participant (see MR-00308-R02); and
- the settlement provisions of Chapter 9 (see MR-00308-R03 and R04).

PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

Section 6.6.10A of Chapter 3 is amended to allow the IESO to respond to failed transactions by taking compliance actions, which may include both imposing a financial penalty or assessing an adjustment to a settlement amount (such as transmission rights payments, congestion management settlement credits or other settlement amounts) that were inappropriately gained or avoided by a market participant. This latter compliance provision to adjust settlement amounts would cover circumstances of egregious behaviour where payment recovery is appropriate and is presently made through the existing formula based penalty. These actions may be taken in addition to levying the new import or export failure charge that has been added to the settlement process as provided in the amended section 7.5.8B of Chapter 7 (see MR-00308-R01).

Sections 6.6.10B and 6.6.10C are deleted. Under the former section 6.6.10 provision market participants could apply to the officers of the IESO for a review of the formulaic penalty amount. With the removal of this penalty, this is no longer required. Under the amended rules market participants would be able to appeal any compliance actions including the penalty and the settlement amount adjustments under the general dispute resolution mechanisms of section 2 of Chapter 3. See section 2.2.1.1 of Chapter 3.

Section 6.6.10C is no longer needed as it refers to the determination of one of the components within the penalty formula that is proposed for deletion.

Appendix 3.1 – Application of Enforcement Actions, which provides a summary of incidence of non-compliance and corresponding enforcement actions, is amended to remove the formula based compliance penalty as an enforcement action.

PART 4 – PROPOSED AMENDMENT**6.6 Non-compliance Letters and Financial Penalties**

- 6.6.1 This section 6.6 sets forth the manner in which the *IMOIESO* will pursuant to section 6.2.7 issue non-compliance letters and fix financial penalties to be imposed on *market participants* for breaches of the *market rules*.
- 6.6.2 Where the *IMOIESO* has determined that it is appropriate to issue a letter of non-compliance under 6.6.5 or impose a financial penalty under section 6.6.6 upon a *market participant*, the *IMOIESO* shall:
- 6.6.2.1 determine the level of non-compliance by the *market participant* in accordance with section 6.6.3;
 - 6.6.2.2 determine the rate of recurrence of non-compliance by the *market participant* in accordance with section 6.6.4;

- 6.6.2.3 based on the determinations made in accordance with sections 6.6.2.1 and 6.6.2.2, determine whether to issue a non-compliance letter or impose a financial penalty; and
- 6.6.2.4 where a determination is made to impose a financial penalty, fix the amount of the penalty in accordance with section 6.6.6.
- 6.6.3 The IMOIESO shall determine the level of non-compliance referred to in section 6.6.2.1 as follows:
- 6.6.3.1 Level “L1” shall be determined where the *market participant* has complied in part, but not in whole, with all the requirements of a *market rule* and where the *market participant* has, on its own initiative, informed the IMOIESO on a timely basis of the non-compliance, the reasons for non-compliance and the manner in and the time within which such non-compliance will be remedied;
- 6.6.3.2 Level “L2” shall be determined where the *market participant* has failed to comply with all of the requirements of a *market rule* and where the *market participant* has, of its own initiative, informed the IMOIESO on a timely basis of the non-compliance, the reasons for non-compliance and the manner in which and the time within which such non-compliance will be remedied;
- 6.6.3.3 Level “L3” shall be determined where the *market participant* has failed to comply, in whole or in part, with all of the requirements of a *market rule* and has failed to inform the IMOIESO of the non-compliance on its own initiative and on a timely basis but, at the IMOIESO’s request and within the time specified in the request, informs the IMOIESO of the reasons for non-compliance and the manner in which and the time within which such non-compliance will be remedied; and
- 6.6.3.4 Level “L4” shall be determined where the *market participant* has failed to comply, in whole or in part, with all of the requirements of a *market rule*, has failed to inform the IMOIESO of the non-compliance on its own initiative and on a timely basis and has failed to respond to the IMOIESO’s request, within the time specified in the request, for a statement of the reasons for such non-compliance and of the manner in which and the time within which such non-compliance will be remedied.
- 6.6.4 The IMOIESO shall determine the rate of recurrence of non-compliance referred to in section 6.6.2.2 based on the frequency and duration with which the *market participant* has been found by the IMOIESO to be in breach of the *market rules*.
- 6.6.5 Where the IMOIESO has determined, based on the determinations made under section 6.6.2 and the provisions of the chart set forth in section 6.6.6, that the

applicable sanction is the issuance of a letter of non-compliance, the *IMOIESO* shall issue a letter of non-compliance to the *market participant*.

- 6.6.6 Where the *IMOIESO* has determined, based on the determinations made under section 6.6.2, that the applicable sanction is the imposition of a financial penalty, the *IMOIESO* shall, subject to section 6.6.13, impose on the *market participant* in accordance with section 6.6.7 a financial penalty within the ranges described in the following table:

Level of Non-Compliance	Range of Sanctions
L1	Non-compliance letter or up to \$2,000.00
L2	Non-compliance letter or up to \$4,000.00
L3	Non-compliance letter or up to \$6,000.00
L4	\$1,000.00 to \$10,000.00

- 6.6.7 In fixing the amount of the financial penalty within the ranges described in the table set forth in section 6.6.6, the *IMOIESO* shall have regard to:

- 6.6.7.1 the circumstances in which the breach occurred;
- 6.6.7.2 the severity of the breach;
- 6.6.7.3 the extent to which the breach was inadvertent, negligent, deliberate or otherwise;
- 6.6.7.4 the length of time the breach remained unresolved;
- 6.6.7.5 the actions of the *market participant* on becoming aware of the breach;
- 6.6.7.6 whether the *market participant* disclosed the matter to the *IMOIESO* on its own or whether it was prompted to do so;
- 6.6.7.7 any benefit that the *market participant* obtained or expected to obtain as a result of the breach;
- 6.6.7.8 any previous breach by the *market participant* of the *market rules* or of the conditions of its *licence*;
- 6.6.7.9 the impact of the breach on other *market participants*;
- 6.6.7.10 the impact of the breach on the *IMOIESO-administered markets* as a whole;
- 6.6.7.11 any sanctions that may be imposed on the *IMOIESO* by a *standards authority* as a result of the breach; and

6.6.7.12 such other matters as the [IMOIESO](#) considers appropriate.

6.6.8 Where Appendix 3.1 provides for the imposition of a formula-based penalty in respect of the breach of a *market rule*, the [IMOIESO](#) may issue a letter of non-compliance pursuant to sections 6.6.2 and 6.6.5 or impose a financial penalty upon the *market participant*, the amount of which shall be determined by the application of the following formula:

$$P = D \times T \times C$$

Where:

P = the amount of the financial penalty, in dollars

D = the deviation from the applicable obligation in the *market rules*, expressed in terms of MW, MVAR, kV, power factor or other determinant, as specified in Appendix 3.1 in respect of the particular *market rule*

T = the duration of the breach, expressed in hours or fractions of hours

C = the amount determined in accordance with section 6.6.9 in respect of the particular *market rule*

6.6.9 The amount C referred to in section 6.6.8 shall be determined, in respect of the breach of a particular *market rule*, by multiplying the *market price* prevailing at the time of the breach by an amount determined by the [IMOIESO](#) having regard to the criteria set forth in section 6.6.7 and to the factors noted in sections 6.6.13.1 to 6.6.13.4, where applicable.

6.6.10 Where Appendix 3.1 specifies more than one sanction in respect of the breach of a particular *market rule*, the [IMOIESO](#) may impose all of the sanctions so specified on the *market participant* provided that no financial penalty may be imposed in respect of a breach for which the [IMOIESO](#) has issued a letter of non-compliance pursuant to section 6.6.5. Nothing in this section 6.6.10 shall prevent the [IMOIESO](#) from imposing a financial penalty for failure by a market participant to remedy a breach in respect of which a letter of non-compliance has been issued or if there is any repetition or continuation of such breach.

6.6.10A ~~Where Appendix 3.1 provides for the imposition of a formula based penalty i~~n respect of a breach of section 7.5.8A of Chapter 7, the [IMOIESO](#) may ~~;~~in addition to the other actions set out in section 7.5.8B of Chapter 7,

6.6.10A.1 issue a letter of non-compliance or impose a financial penalty upon the *market participant* pursuant to sections 6.6.2, 6.6.5 and 6.6.6; and

~~6.6.10A.2 adjust settlement amounts for a registered market participant such as any transmission rights payments, congestion management settlement credits or other settlement amounts-that the registered market participant received or avoided but for an act or omission or a course of conduct of either the registered market participant alone or the registered market participant by agreement or arrangement with one or more other market participants that led to the breach of section 7.5.8A of Chapter 7.~~

~~5 or, subject to section 6.6.10B, impose a financial penalty upon the market participant, the amount of which shall be determined by the application of the following formula:~~

$$P = (D \times T \times R) * A$$

~~Where:~~

~~P, D and T are defined by section 6.6.8~~

~~R = in the case of a failed energy interchange schedule, the greater of the EMP_h^{mt} or absolute value (EMP_h^{mt} - offer/bid price)~~

~~prevailing at the time of the breach where m = a primary RWM (in Ontario)~~

~~R = in the case of a failed operating reserve interchange schedule, the greater of the $PROR_{r,h}^{mt}$ or absolute value ($PROR_{r,h}^{mt}$ - offer/bid price)~~

~~prevailing at the time of the breach where m = a delivery point in Ontario and where r = the applicable class of operating reserve~~

~~A = numeric multiplier determined by the officers of the IMOIESO after consideration of guidelines for that purpose published in the applicable market manual.~~

~~6.6.10B The market participant may apply to the officers of the IMOIESO in accordance with the applicable market manual for a review of the penalty amount resulting from the formula (DxTxR), which amount may be confirmed or changed by the officers.~~

~~6.6.10C The amount A referred to in section 6.6.10A shall, in accordance with the applicable market manual, be determined by the officers of the IMOIESO upon the recommendation of the Director, Market Assessment and Compliance Division. In determining that multiplier, the officers shall consider written submissions from the market participant made in accordance with the applicable market manual, and shall consider the guidelines set out in that manual.~~

6.6.11 Nothing in this section 6.6 shall preclude the IMOIESO from making an order under one or more of sections 6.2.7.1, 6.2.7.2, 6.2.7.3 or 6.2.7.6 in respect of a breach of the market rules with respect to which a sanction has been imposed pursuant to this section 6.6.

- 6.6.12 [Intentionally left blank]
- 6.6.12.1 [Intentionally left blank]
- 6.6.12.2 [Intentionally left blank]
- 6.6.13 The IMOIESO may impose on a *market participant* a financial penalty in excess of the amount otherwise provided for in section 6.6.6 where:
- 6.6.13.1 the *market participant* has breached a market rule while a declaration that the IMOIESO-controlled grid is in an emergency operating state _____ or a high-risk operating state was in effect;
 - 6.6.13.2 the *market participant* breached a *market rule* while a declaration that *market operations* have been suspended was in effect;
 - 6.6.13.3 the IMOIESO Board determines that the impact of the *market participant*'s breach on the IMOIESO-administered markets is particularly severe; or
 - 6.6.13.4 the rate of recurrence of non-compliance by the *market participant* with the *market rules* is of such frequency or duration as to warrant the imposition of a higher financial penalty.
- 6.6.14 No additional financial penalty may be imposed in respect of a breach of the *market rules* for which a financial penalty has already been imposed pursuant to this section 6.6 provided that nothing in this section 6.6.14 shall prevent the IMOIESO from imposing a financial penalty for failure by a *market participant* to remedy a breach in respect of which a financial penalty has been imposed or if there is any repetition or continuation of such breach.

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Appendix 3.1 – Application of Enforcement Actions

Non-compliance	Enforcement Action
Chapter 4, section 3.1.2	Sanctions as per section 6.6.5 or 6.6.6 Disconnection order as per section 6.5
Chapter 4, section 3.3.1.6	Sanctions as per section 6.6.5 or 6.6.6 Disconnection order as per section 6.5

Chapter 4, section 6.1.6	Sanctions as per section 6.6.5 or 6.6.6 Disconnection order as per section 6.5
Chapter 5, section 3.4.1.1	Formula based penalty as per section 6.6.8 of Chapter 3 where; D= load shedding capability required (MW) C= Market Price x amount determined by the IMO/IESO under section 6.6.9
Chapter 5, section 3.4.1.2	Formula based penalty as per section 6.6.8 of Chapter 3 where; D= load shedding capability required including its restoration (MW) C= Market Price x amount determined by the IMO/IESO under section 6.6.9
Chapter 5, section 3.5.1.1	Formula based penalty as per section 6.6.8 of Chapter 3 where; D= load shedding capability required including its restoration (MW) C= Market Price x amount determined by the IMO/IESO under section 6.6.9
Chapter 5, section 3.6.1.1	Formula based penalty as per section 6.6.8 where; D= nominal generation capacity (MCR) barring declared limitations (MW) C= Market Price x amount determined by the IMO/IESO under section 6.6.9
Chapter 5, section 3.7.1.1	Formula based penalty as per section 6.6.8 where; D= load shedding capability required (MW) C= Market Price x amount determined by the IMO/IESO under section 6.6.9
Chapter 5, section 6.3.10	Formula based penalty as per section 6.6.8 where: D = the amount by which the offer made is less than the MW which the generator had agreed would be offered in support of the planned outage or the extension to or rescheduling of an outage. C = market price x amount to be determined by the IMO/IESO under section 6.6.9
App 5.1, section 1.2.1	Formula based penalty as per section 6.6.8 where; D= resource deviation (MW) C= Market Price x amount determined by the IMO/IESO under section 6.6.9.
App 5.1, section 1.2.4	Formula based penalty as per section 6.6.8 where; D= resource deviation (MW) C= Market Price x amount determined by the IMO/IESO under section 6.6.9.
App 5.1, section 1.2.2	Formula based penalty as per section 6.6.8 where; D= ramp rate deviation (MW) C= Market Price x amount determined by the IMO/IESO under section 6.6.9.
App 5.1, section 1.2.5	Formula based penalty as per section 6.6.8 where; D= ramp rate deviation (MW) C= Market Price x amount determined by the IMO/IESO under section 6.6.9.

App 5.1, section 1.2.3	Formula based penalty as per section 6.6.8 where; D= resource deviation (MW) C= Market Price x amount determined by the IMO/IESO under section 6.6.9.
App 5.1, section 1.2.6	Formula based penalty as per section 6.6.8 where; D= resource deviation (MW) C= Market Price x amount determined by the IMO/IESO under section 6.6.9.
Chapter 5, section 10.3.3	Formula based penalty as per section 6.6.8 where; D= deviation from direction (MW) C= Market Price x amount determined by the IMO/IESO under section 6.6.9
Chapter 5, section 10.3.4	Formula based penalty as per section 6.6.8 where; D= deviation from direction (MW) C= Market Price x amount determined by the IMO/IESO under section 6.6.9
Non-compliance	Enforcement Action
Chapter 5, section 10.3.5	Formula based penalty as per section 6.6.8 where; D= deviation from direction (MW) C= <i>Market Price</i> x amount determined by the IMO-IESO under section 6.6.9
Chapter 7, section 7.5.8A, 7.5.8B	Formula based penalty as per section 6.6.10A

PART 5 – IESO BOARD DECISION RATIONALE

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Market Rule Amendment Proposal

PART 1 – MARKET RULE INFORMATION

Identification No.:	MR-00308-R01		
Subject:	Intertie Transactions		
Title:	Settlement Charges for Real-Time Intertie Transaction Failures		
Nature of Proposal:	<input checked="" type="checkbox"/> Alteration	<input type="checkbox"/> Deletion	<input type="checkbox"/> Addition
Chapter:	7	Appendix:	
Sections:	7.5.8B		
Sub-sections proposed for amending:			

PART 2 – PROPOSAL HISTORY

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:

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

Summary

See MR-00308-R00.

Background

See MR-00308-R00.

Discussion

Section 7.5.8B, Compliance with Dispatch Instructions is amended to allow for the application of the new settlement provisions of section 3.8C of Chapter 9 (see MR-00308-R03), when boundary entities, other than for “bona fide and legitimate reasons”, fail to schedule energy with the appropriate scheduling entities.

PART 4 – PROPOSED AMENDMENT

- 7.5.8A A *registered market participant* associated with a *registered facility* that is a *boundary entity* shall, other than for the bona fide and legitimate reasons referred to in section 7.5.8B, schedule *energy* and *operating reserve*, in accordance with section 6.1.3, with the appropriate scheduling entity, or scheduling entities as the case may be.
- 7.5.8B The ~~*IESOIMO*~~ ~~may~~ shall take actions pursuant to section 6.6.10A.1 and ~~6.6.10A.23~~ of Chapter 3 ~~and shall assess a real-time import or export failure charge as determined in section 3.8C of Chapter 9~~ where a *registered market participant* associated with a *registered facility* that is a *boundary entity* fails to schedule *energy* or *operating reserve*, in accordance with section 6.1.3 of Chapter 7, with the appropriate scheduling entity, or scheduling entities as the case may be, according to the applicable *interchange schedule*, other than for bona fide and legitimate reasons as determined by the ~~*IESOIMO*~~. Bona fide and legitimate reasons shall include failures caused by actions and circumstances beyond the control of the *market participant* or due to ~~*IESOIMO*~~ or external scheduling entity error or action, including those reasons specified in the applicable *market manual*.

PART 5 – IESO BOARD DECISION RATIONALE

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Market Rule Amendment Proposal

PART 1 – MARKET RULE INFORMATION

Identification No.:	MR-00308-R02		
Subject:	Intertie Transactions		
Title:	Settlement Charges for Intertie Transaction Failures		
Nature of Proposal:	<input checked="" type="checkbox"/> Alteration	<input type="checkbox"/> Deletion	<input type="checkbox"/> Addition
Chapter:	8	Appendix:	
Sections:	4.18		
Sub-sections proposed for amending:	4.18.1		

PART 2 – PROPOSAL HISTORY

Version	Reason for Issuing	Version Date
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PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

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- Alternative solutions considered.
- The proposed amendment, how the amendment addresses the above reason and impact of the proposed amendment on the *IESO-administered markets*.

Summary

See MR-00308-R00.

Background

See MR-00308-R00.

Discussion

Section 4.18.1 of Chapter 8 is amended to recognize the potential for the return of any transmission rights payments to the transmission rights clearing account. This amendment is consequential to the amendment of section 6.6.10A.2 of Chapter 3. See MR-00308-R00.

PART 4 – PROPOSED AMENDMENT**4.18 TR Clearing Account**

- 4.18.1 The ~~IMO~~IESO shall establish and maintain a *TR clearing account* and shall:
- 4.18.1.1 credit to the *TR clearing account*, in respect of each *settlement hour*, the net congestion rents calculated in accordance with section 3.6.2 of Chapter 9;
 - 4.18.1.1A credit to the *TR clearing account* the amounts referred to in sections 4.20.1A and 4.20.1B;
 - 4.18.1.2 subject to section 4.19.7, credit to the *TR clearing account* the net revenues received from the sale of *transmission rights* in a *TR auction* in accordance with section 4.19.4;
 - 4.18.1.3 debit from the *TR clearing account* any amounts required to be paid to *TR holders* pursuant to section 4.4.1;
 - 4.18.1.4 debit from the *TR clearing account* any amounts required to be paid to successful *TR offerors* pursuant to section 4.19.6; ~~and~~

4.18.1.5 debit from the *TR clearing account* any amounts authorized to be debited and used to offset *transmission services charges* in accordance with section 4.18.2; and-

4.18.1.6 credit to the *TR clearing account* any transmission rights settlement credits adjusted under section 6.6.10A.2 of Chapter 3.

4.18.2 Subject to section 4.18.3, the IMOIESO Board may, at such times as it determines appropriate, authorize the debit of funds from the *TR clearing account* for the purpose of using those funds to offset the *transmission services charges* referred to in section 3.6.3 of Chapter 9.

4.18.3 The IMOIESO Board shall establish a reserve threshold for the *TR clearing account*.

PART 5 – IESO BOARD DECISION RATIONALE

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Market Rule Amendment Proposal

PART 1 – MARKET RULE INFORMATION

Identification No.:	MR-00308-R03		
Subject:	Intertie Transactions		
Title:	Settlement Charges for Intertie Transaction Failures		
Nature of Proposal:	<input checked="" type="checkbox"/> Alteration	<input type="checkbox"/> Deletion	<input type="checkbox"/> Addition
Chapter:	9	Appendix:	
Sections:	3.1 and 3.8C		
Sub-sections proposed for amending:			

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Summary

See MR-00308-R00.

Background

See MR-00308-R00.

Discussion

The following changes are required to the settlement provisions of Chapter 9.

- An amended section 3.1, Hourly Settlement Variables and Data;
- A new section 3.8C, Real-Time Import and Real-Time Export Failure Charges;
- An amended section 3.9, Hourly Uplift Settlement Amounts (see MR-00308-R04); and
- An amended section 4.8, Additional Non-Hourly Settlement Amounts (see MR-00308-R04).

Section 3.1, Hourly Settlement Variables and Data is amended to obligate the IESO to provide the settlement data needed to ensure that the settlement process has the necessary data to determine the hourly settlement amounts using the formulations provided in the new section 3.8C, Real-Time Import and Real-Time Export Failure Charges. This data includes pre-dispatch energy amounts (section 3.1.2C), exceptions from the transaction failure charges in those instances where there are “bona fide and legitimate reasons” for the failure (sections 3.1.2D.1 and 3.1.2D.2) and a price bias adjustment factor that is part of the transaction failure charge formulation as explained below.

Section 3.8C, Real-Time Import and Real-Time Export Failure Charges provides the following separate formulations for imports and exports. Under these formulas market participants would compensate the market when intertie transactions deviate from the hour ahead pre-dispatch schedule. The intertie failure charge has been developed so that the charge is limited in the case of imports to the Ontario real-time energy market price and in the case of exports to the pre-dispatch Ontario price. The import failure charge is the mirror image of the export failure charge.

In the case of an import:

$$RT_IFC_{k,h} = \sum^{IT} (-1) \times \text{MIN} \left[\text{MAX} \left[0, (\text{EMP}_h^{m,t} + \text{PB_IM}_h^t - \text{PD_EMP}_h^{m,t}) \times \text{RT_ISD}_{k,h}^{i,t} \right], \text{MAX}(0, \text{EMP}_h^{m,t}) \times \text{RT_ISD}_{k,h}^{i,t} \right]$$

This summation formula is described more fully within the rule amendment, but basically it states that the real-time import failure charge (RT_IFC) equals the lesser (MIN) of two terms:

1. The first term is the maximum (MAX) of zero and the product of (EMP + PB_IM – PD_EMP) and

PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

RT_ISD that calculates a charge based on:

the sum of the real-time energy market price (EMP) and a price bias adjustment factor for imports (PB_IM), less the pre-dispatch energy market price in Ontario (PD_EMP), all multiplied by the real time import scheduling deviation (RT_ISD).

The price bias adjustment factor accounts for influences that cause bias between real-time and pre-dispatch prices. This price bias may be adjusted periodically by the IESO, and must be published in advance of its application to the settlement charge. See amendment sections 3.1.2D.3, 3.8C.7 and 3.8C.8.

2. The second term is the product of:

the maximum (MAX) of zero and the real-time energy market price (EMP), and the real-time import scheduling deviation (RT_ISD).

This second term caps the charge for the deviation from schedule to the real-time energy market price.

The following formula for the real-time export failure charge applies to exports and is the mirror image to the above import charge.

$$RT_EFC_{k,h} = \sum^{i,t} (-1) \times \text{MIN} \left[\text{MAX} \left[0, (\text{PD_EMP}_h^{m,t} - \text{EMP}_h^{m,t} - \text{PB_EX}_h^t) \times \text{RT_ESD}_{k,h}^{i,t} \right], \text{MAX}(0, \text{PD_EMP}_h^{i,t}) \times \text{RT_ESD}_{k,h}^{i,t} \right]$$

In the case of the real-time export failure charge, the second term utilizes the pre-dispatch price in Ontario as the cap price.

For import transactions that are subject to both the day ahead and real-time import failure charges, the greater of the two charges apply. See section 3.8C.6.

PART 4 – PROPOSED AMENDMENT**3.1 Hourly Settlement Variables and Data**

.....

3.1.2C The IESO shall determine from the *pre-dispatch schedule* and the *pre-dispatch projected market schedule*, and provide directly to the *settlement process* the following *pre-dispatch prices and quantities*:

$\text{PD_DQSI}_{k,h}^{i,t}$ \equiv *pre-dispatch constrained quantity scheduled for injection by market participant 'k' at intertie metering point 'i' during metering interval 't' of settlement hour 'h'.*

$\text{PD_DQSW}_{k,h}^{i,t}$ \equiv *pre-dispatch constrained quantity scheduled for withdrawal by market participant 'k' at intertie metering point 'i' during*

metering interval 't' of settlement hour 'h'.

PD_EMP_h^{m,t} ≡ pre-dispatch projected energy market price applicable to all delivery points 'm' in the Ontario zone in metering interval 't' of settlement hour 'h'

In instances where this variable is provided to the settlement process on an hourly basis as determined in section 3.9, it shall be deemed to apply uniformly to all metering intervals 't' in settlement hour 'h'.

3.1.2D The IESO shall provide directly to the settlement process:

3.1.2D.1 exceptions from either the real-time import failure charge set out in section 3.8C.2 or the adjustment of amounts provided for in section 6.6.10A.2 of Chapter 3, for any applicable import transactions scheduled in the pre-dispatch schedule where such exceptions have been determined in accordance with chapter 7, section 7.5.8B of these market rules;

3.1.2D.2 exceptions from either the real-time export failure charge set out in section 3.8C.4 or the adjustment of amounts provided for in section 6.6.10A.2 of Chapter 3, for any applicable export transactions scheduled in the pre-dispatch schedule where such exceptions have been determined in accordance with chapter 7, section 7.5.8B of these market rules;

3.1.2D.3 any applicable price bias adjustment factors, as described in section 3.8C.7, utilised in the calculation of the:

a. real-time import failure charge; or

b. real-time export failure charge

that are in effect as of the settlement hour in which such settlement amounts are calculated by the IESO.

.....

3.8C Real-Time Import and Real-Time Export Failure Charges

3.8C.1 The real-time import failure charge and the real-time export failure charges referred to in section 7.5.8B of Chapter 7 are settlement amounts that shall be determined in sections 3.8C.2 and 3.8C.3 and in sections 3.8C.4 and 3.8C.5, respectively.

Real-time Import Failure Charge

3.8C.2 The *IESO* shall assess a *market participant* with a real-time import failure charge for any quantity of *energy* scheduled for injection at an *intertie metering point* in the constrained *pre-dispatch schedule* where:

3.8C.2.1 the *market participant* fails either in whole or in part to schedule a *dispatch* quantity scheduled for injection in the constrained *real-time schedule* in the corresponding *metering interval* of the corresponding *settlement hour* at the same *intertie metering point*; and,

3.8C.2.2 the *IESO* has not determined, nor has the *market participant* demonstrated to the satisfaction of the *IESO*, that the failure is due to *bona fide* and legitimate reasons as described in chapter 7, section 7.5.8B.

3.8C.3 For all import transactions scheduled in the constrained *pre-dispatch schedule* and meeting the criteria set out in section 3.8C.2, the real-time import failure charge shall be formulated as follows:

Let $RT\ ISD_{k,h}^{i,t}$ be the real-time import scheduling deviation quantity calculated for *market participant* 'k' at *intertie metering point* 'i' during *metering interval* 't' of *settlement hour* 'h' as determined by the formula:

Real-time Import Scheduling Deviation Quantity \equiv MAX (*pre-dispatch* import transaction quantity – real-time import transaction quantity, 0)

$RT\ ISD_{k,h}^{i,t}$ \equiv MAX (PD $DQSI_{k,h}^{i,t}$ - $DQSI_{k,h}^{i,t}$, 0)

such that the real-time import failure charge for *market participant* 'k' during *settlement hour* 'h' for all *intertie metering points* 'i' may be formulated with the above components as follows:

$RT\ IFC_{k,h}$ \equiv For all *intertie metering points*:

-1 x [MAXIMUM of:

[[The difference between: the real-time *energy market price* in the Ontario zone adjusted by the prevailing price bias adjustment factor for imports in effect for the *settlement hour* minus the *pre-dispatch* projected *energy market price* in the Ontario zone

times :

real-time import scheduling deviation quantity.]

or zero,]

subject to: a maximum value of the real-time import

scheduling deviation quantity times the maximum of the real-time *energy market price* in the Ontario zone or zero]

$$RT_IFC_{k,h} = \sum^{I,T} (-1) \times \text{MIN} \left[\text{MAX} \left[0, (\text{EMP}_h^{m,t} + \text{PB_IM}_h^t - \text{PD_EMP}_h^{m,t}) \times \text{RT_ISD}_{k,h}^{i,t} \right], \text{MAX}(0, \text{EMP}_h^{m,t}) \times \text{RT_ISD}_{k,h}^{i,t} \right]$$

where:

PD_EMP_h^{m,t} is the pre-dispatch projected *energy market price* applicable to all *delivery points* ‘m’ in the Ontario zone during *metering interval* ‘t’ of *settlement hour* ‘h’

EMP_h^{m,t} is the real-time 5-minute *energy market price* applicable to all *delivery points* ‘m’ in the Ontario zone during *metering interval* ‘t’ of *settlement hour* ‘h’

PB_IM_h^t is the price bias adjustment factor for import transactions in effect during *metering interval* ‘t’ of *settlement hour* ‘h’

I is the set of all *intertie metering points* ‘i’

‘T’ is the set of all *metering intervals* in *settlement hour* ‘h’

Real-time Export Failure Charge

3.8C.4 The IESO shall assess a *market participant* with a real-time export failure charge for any quantity of *energy* scheduled for withdrawal at an *intertie metering point* in the constrained *pre-dispatch schedule* where:

3.8C.4.1 the *market participant* fails either in whole or in part to schedule a *dispatch quantity* scheduled for withdrawal in the constrained *real-time schedule* in the corresponding *metering interval* of the corresponding *settlement hour* at the same *intertie metering point*; and,

3.8C.4.2 the IESO has not determined, nor has the *market participant* demonstrated to the satisfaction of the IESO, that the failure is due to *bona fide* and legitimate reasons described in chapter 7, section 7.5.8B.

3.8C.5 For all export transactions scheduled in the constrained *pre-dispatch schedule* and meeting the criteria set out in section 3.8C.4, the real-time import failure charge shall be formulated as follows:

Let RT_ESD_{k,h}^{i,t} be the real-time export scheduling deviation quantity calculated for *market participant* ‘k’ at *intertie metering point* ‘i’ during *metering interval* ‘t’ of *settlement hour* ‘h’ as determined by the formula:

Real-time Export Scheduling Deviation Quantity \equiv MAX (pre-dispatch export transaction quantity – real-time export transaction quantity, 0)

$$RT_ESD_{k,h}^{i,t} \equiv \text{MAX}(PD_DQSW_{k,h}^{i,t} - DQSW_{k,h}^{i,t}, 0)$$

such that the real-time export failure charge for market participant 'k' during settlement hour 'h' for all intertie metering points 'i' may be formulated with the above components as follows:

RT_EFC_{k,h} \equiv For all intertie metering points:
-1 x [MAXIMUM of:
[[The difference between the pre-dispatch projected energy market price in the Ontario zone minus the real-time energy market price in the Ontario zone adjusted by the prevailing price bias adjustment factor for exports in effect for the settlement hour]
times :
real-time export scheduling deviation quantity.]
or zero.]
subject to: a maximum value of the:
real-time export scheduling deviation quantity times the maximum of the pre-dispatch energy market price in the intertie zone or zero]

$$RT_EFC_{k,h} = \sum^{i,t} (-1) \times \text{MIN} \left[\text{MAX} \left[0, (PD_EMP_h^{m,t} - EMP_h^{m,t} - PB_EX_h^t) \times RT_ESD_{k,h}^{i,t} \right], \text{MAX} \left(0, PD_EMP_h^{m,t} \right) \times RT_ESD_{k,h}^{i,t} \right]$$

where:

PD_EMP_h^{m,t} is the pre-dispatch projected energy market price applicable to all delivery points 'm' in the Ontario zone during metering interval 't' of settlement hour 'h'

EMP_h^{m,t} is the real-time 5-minute energy market price applicable to all delivery points 'm' in the Ontario zone during metering interval 't' of settlement hour 'h'

PB_{EX_h}¹ is the price bias adjustment factor for export transactions in effect during *metering interval 't'* of *settlement hour 'h'*

I is the set of all *intertie metering points 'i'*

'T' is the set of all *metering intervals in settlement hour 'h'*

3.8C.6 The *market participant* shall be assessed with the greater of the following charges but not both where any import transaction scheduled in the *pre-dispatch schedule of record* and subsequently scheduled at the same *intertie metering point in the real-time market* is subject to both the day ahead import failure charge of section 3.8B and the real-time import failure charge of section 3.8C.

3.8.C.7 The *IESO* shall determine, in accordance with the applicable *market manual*, any applicable price bias adjustment factors to be used in the calculation of the real-time import failure charge and the real-time export failure charge.

3.8.C.8 The *IESO* shall *publish* any applicable price bias adjustment factors used in determining either the real-time import failure charge or the real-time export failure charge in advance of the *settlement hour* to which such factor applies.

PART 5 – IESO BOARD DECISION RATIONALE

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Market Rule Amendment Proposal

PART 1 – MARKET RULE INFORMATION

Identification No.:	MR-00308-R04		
Subject:	Intertie Transactions		
Title:	Settlement Charges for Intertie Transaction Failures		
Nature of Proposal:	<input checked="" type="checkbox"/> Alteration	<input type="checkbox"/> Deletion	<input type="checkbox"/> Addition
Chapter:	Chapter 9	Appendix:	
Sections:	3.9 and 4.8		
Sub-sections proposed for amending:	3.9.1, 3.9.5 and 4.8.2		

PART 2 – PROPOSAL HISTORY

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:

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

Summary

See MR-00308-R00.

Background

See MR-00308-R00.

Discussion

Section 3.9, Hourly Uplift Settlement Amounts is amended to include the transaction failure settlement amounts in the hourly uplift settlement amount. The uplift is to be distributed monthly on an interim basis until such time as the IESO has the software capability to distribute the payments hourly. See sections 3.9.4 and 3.9.5.

Until the IESO has the software capability to distribute the payments hourly, **Section 4.8, Additional Non-Hourly Settlement Amounts** is amended to include the transaction failure settlement amounts in monthly distributions.

Revenue that is recovered under the amended section 6.10A.3 of Chapter 3 would also be included in the monthly distribution amounts of section 4.8.

PART 4 – PROPOSED AMENDMENT**3.9 Hourly Uplift Settlement Amounts**

- 3.9.1 The hourly *settlement amounts* defined by the preceding provisions of this section 3 will result in an hourly *settlement* deficit that shall be recovered from *market participants* as a whole through the *hourly uplift*. The total *hourly uplift settlement amount* for *settlement hour* h (“HUSA_h”) shall be determined according to the following equation:

$$\text{HUSA}_h = \sum_k (\text{NEMSC}_{k,h} + \text{ORSC}_{k,h} + \text{CAPRSC}_{k,h} + \text{CMSC}_{k,h} + \text{TRSC}_{k,h} + \text{IOG}_{k,h} + \text{DA_IOG}_{k,h}) + \text{TCRF}_h - \sum_k (\text{CRSSD}_{k,h} + \sum_r \text{ORSSD}_{k,r,h} + \text{DA_IFC}_{k,h} + \text{RT_IFC}_{k,h} + \text{RT_EFC}_{k,h})$$

over all k market participants

$\text{NEMSC}_{k,h}$ = net energy market settlement credit for market participant k in settlement hour h

$\text{ORSC}_{k,h}$ = operating reserve market settlement credit for market participant k in settlement hour h

$\text{CAPRSC}_{k,h}$ = capacity reserve market settlement credit for market participant k in settlement hour h

$\text{CMSC}_{k,h}$ = congestion management settlement credit for market participant k in settlement hour h

$\text{TRSC}_{k,h}$ = transmission rights settlement credit for market participant k in settlement hour h

$\text{IOG}_{k,h}$ = intertie offer guarantee settlement credit for the market participant k in settlement hour h

$\text{DA_IOG}_{k,h}$ = day-ahead intertie offer guarantee settlement credit for the market participant k in settlement hour h

$\text{DA_IFC}_{k,h}$ = day-ahead import failure charge for the market participant k in settlement hour h

[RT_IFC_{k,h}](#) = real-time import failure charge for the market participant ' k ' in settlement hour ' h '

[RT_EFC_{k,h}](#) = real-time export failure charge for the market participant ' k ' in settlement hour ' h '

TCRF_h = transmission charge reduction fund contribution in settlement hour ' h '

$\text{CRSSD}_{k,h}$ = capacity reserve settlement debit for operating deviations for market participant ' k ' in settlement hour ' h '

$\text{ORSSD}_{k,r,h}$ = operating reserve settlement debit for operating deviations for class ' r ' reserve for market participant ' k ' in settlement hour ' h '

[NTD: the following section 3.9.4 is taken from proposed rule amendment MR-00305-R03. It is included here for information.]

3.9.4 Until such time that the IESO has the software capability to include the following settlement amounts:

- the day-ahead intertie offer guarantee settlement ($\text{DA_IOG}_{k,h}$); or
- the day-ahead import failure charge ($\text{DA_IFC}_{k,h}$),

in the *hourly uplift settlement amount*, the *IESO* shall recover or distribute such *settlement amounts* as non-hourly *settlement amounts* under the provisions of section 4.8.1 or 4.8.2 respectively for an interim period of time commencing with the activation of the day-ahead commitment process.

3.9.5 Until such time that the *IESO* has the software capability to include the following settlement amounts:

- the real-time import failure charge (RT IFC_{k,h}); or
- the real-time export failure charge (RT EFC_{k,h}).

in the *hourly uplift settlement amount*, the *IESO* shall recover or distribute such settlement amounts as non-hourly settlement amounts under the provisions of section 4.8.1 or 4.8.2 respectively.

4.8 Additional Non-Hourly Settlement Amounts

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4.8.2 The ~~IMO~~-*IESO* shall, at the end of each *energy market billing period*, distribute to *market participants*, on a pro-rata basis across all allocated quantities of *energy* withdrawn at all *RWMs* and *intertie metering points* during all *metering intervals* and *settlement hours* within that *energy market billing period*, the following amounts:

.....

4.8.2.9 any proceeds from the real-time import failure charge or the real-time export failure charge that in accordance with section 3.9.5 are not distributed as a component of *hourly uplift*; and

4.8.2.10 any proceeds from the recovery of congestion management settlement credits or other settlement amounts in accordance with section 6.6.10A.2 of Chapter 3, excluding any payments recovered under section 4.18.1.6 of Chapter 8.

PART 5 – IESO BOARD DECISION RATIONALE

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