

# Market Rules and Manuals Framework

Presentation for Technical Panel

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February 4, 2020

# Context

- The IESO gathered feedback from the Market Development Advisory Group on November 26 on a proposed guideline for content of Market Rules and Manuals and an approach to introducing draft market manuals earlier in the stakeholder engagement process
- There are questions for feedback in each section to guide discussion

# Creation of a Market Rules/Manuals Guideline

- 2018 IESO Governance and Decision-Making Advisory Group recommended that the IESO:
  - “Introduce guidelines that clarify the distinction between market rule content and market manual content. Guidelines should be broad and flexible, but involve a clear assessment, where the primary distinction would be that: (a) rules of conduct that materially affect rights or obligations, (b) rules that materially affect money or property, or (c) rules enforceable by penalties”

# Threshold to Provide Draft Market Manuals for Stakeholder Comment

- 2018 IESO Governance and Decision-Making Advisory Group recommended that the IESO:
  - “Where market manual changes are required to support a market rule amendment, determine whether draft market manual content should be provided to stakeholders for review as part of the engagement process (along with the draft market rule amendment language). The IESO’s determination would apply a new review threshold, informed by *timing/reliability* and *materiality/economic* impact considerations. The IESO would consult stakeholders on market manual content they want to review at the same time as the market rule amendment proposal, which would include identifying the considerations that would inform the IESO’s assessment of whether the threshold is met.”

# MARKET RULES/MANUALS GUIDELINE: A PRINCIPLES BASED APPROACH

# Background

- The IESO Board of Directors has the accountability for approval of the market rules and any associated changes
  - When proposed market rule amendments are approved by the IESO Board, the proposed changes are sent to the Ontario Energy Board (OEB) who has authority to revoke and/or refer approved amendments back to the IESO for further discussion
  - Market participants and other interested stakeholders have an opportunity to seek an OEB review of the proposed changes under certain legislated criteria
- The IESO Board of Directors has delegated the approval of market manuals to IESO management

# Context: Governance and Decision-Making Advisory Group

- Stakeholders and Technical Panel members have asked for additional clarity and certainty on the considerations the IESO uses to determine whether information should be contained in the market rules or market manuals
- The IESO is proposing to create a principles-based guideline as a public document

# Why a Principles based Guideline?

- Principles allow for stakeholders to have greater clarity on the framework used by the IESO to write proposed market rule amendments
- Publically facing principles will ensure the IESO provides rationale to stakeholders if flexibility on the principles is required for certain market rule amendment proposals
- The principles are premised on a more specific engagement process for draft market manuals, as outlined in the threshold

# Principle #1: Describe Market Participant and IESO Rights and Obligations

1. Market rules contain and describe the rights, authorities and obligations for market participants and the IESO, and the conditions under which those rights and authorities may be exercised and those obligations met
  - Consistent with the purpose of the IESO market rules
  - Market manuals should not introduce new obligations, rights or authorities that are not prescribed in the market rules

# Principle #2: How or When Rights and Obligations are to be Fulfilled

2. Market rules should only describe how or when those rights, authorities and obligations are to be fulfilled to the extent that a description is necessary to the understanding of rights, authorities and obligations of market participants and the IESO
  - Most procedural details, dollar values, timelines or lists of information requirements are included in the market manuals
  - The operationalization of obligations is included in market manuals

# Principle #3: Process Only to the Extent Necessary

3. Market rules should describe process only to the extent that a description of process is necessary to exercise the understanding of rights, authorities and obligations of market participants and the IESO
  - Market manuals outline the specific details of how or when to meet these obligations

# Principle #4: Consistent Level of Detail and Structure

4. To the extent practical, there should be a consistent level of detail within the market rules and proposed market rule amendments should be consistent with that structure
  - Detailed settlement calculations are typically within the market rules
  - The market rules outline registration, participation, settlements and other categories necessary to enact a market or program

# Example – Capacity Exports

- Market rules changes were needed to implement design features not yet in place and to make explicit existing authorities
- Multiple market manuals were updated to provide detailed information on market participant and IESO processes related to capacity exports
- Two examples on the following slides

# Market Rules: the “what”

## Market Manuals: the “how”

### Market Rules: Chapter 7, section 20.2.2

*A market participant that commits its capacity to an external control area shall notify the IESO of the commitment and any subsequent changes to the commitment in the time and manner prescribed in the applicable market manual.*

### Market Manual 13.1, section 4

If the MP is successful in securing an external capacity commitment based on an approved capacity export request, they will submit information to the IESO (in Online IESO) so that the commitment can be recorded and administered (e.g. within three business days following the result publication date of an annual, NYISO six month strip or monthly auction)

# Market Rules: the “what”

## Market Manuals: the “how”

### Market Rules: Chapter 7, section 20.4.1

All export *bids* for *called capacity exports* shall be submitted in the form and within the timelines prescribed in the applicable *market manual*

### Market Manual 4.2, section 4

Process and form of which export bids must be submitted to receive applicable capacity export treatment, such as providing a single lamination of the bid quantity, and completing the ‘other reason’ field including a six digit resource ID identifying the capacity resource that has committed capacity

# A THRESHOLD FOR FEEDBACK ON MARKET MANUALS

# Background

- Stakeholders and Technical Panel members have asked for review and comment of draft market manuals earlier in the stakeholder engagement process
  - Stakeholders and market participants want increased transparency into IESO responses to comments on draft market manuals that can be provided for Technical Panel discussions
  - Technical Panel members want additional certainty of how the design of market initiatives is captured in market manuals during its consideration of proposed market rule amendments

# Proposed Approach

- The IESO proposes to provide draft market manual content during an engagement initiative that is key to understanding the obligations and impacts of changes to the market rules

# Implementation of the Approach

- Typically, the IESO launches an engagement initiative to engage with the marketplace on proposed design and/or changes
- Going forward, as part of the engagement, the IESO will identify all affected market rules and market manuals
  - All red-line draft market rule changes will be brought to the engagement initiative for stakeholder feedback
  - The IESO will perform an assessment on which market manual content to provide during the engagement initiative

# Implementation of the Assessment Criteria

- The assessment criteria will focus on:
  1. Obligations: significant changes for market participants, or classes of market participants
  2. Impacts: significant economic or operational materiality

# Implementation of the Assessment cont.

- The assessment will be shared with stakeholders for feedback
- The IESO will bring draft market manual language that meets the threshold to the engagement for stakeholder review and feedback
- For draft market manuals that do not meet the threshold, the IESO will bring the high level concepts to the engagement for stakeholder reference
- Proposed changes to market manuals without an associated engagement process will continue to go through the baseline process

# Example: Transitional Capacity Auction

- For Phase I of the Transitional Capacity Auction, the IESO published 11 draft market manuals during the stakeholder engagement
  - Extensive changes to both market rules and market manuals
  - Took a more open approach to providing draft market manuals than past practice
- Based on a retrospective IESO assessment, the IESO would have only published four draft market manuals
  - The assessment corresponds with the comments received from stakeholders (only minor grammatical comments received on the manuals assessed not to be published)
  - For the other seven market manuals, the draft concepts, rather than the exact language would be provided to the stakeholder engagement
  - A more fulsome summary of the assessment is included on the following two slides

# Example: Transitional Capacity Auction

Based on the retrospective assessment, the following four red-line manuals would have been provided at the engagement initiative

Manual	Assessment
Facility Registration (1.2)	<p>Obligations: new section for capacity generation resources further describes the new market rule obligations for this resource type</p> <p>Impacts: outlines the process by which capacity generation resources need to take to register for a capacity auction</p>
Settlement Statements (5.5)	<p>Obligations: new section for capacity generation resources further describes the new market rule obligations for this resource type</p> <p>Impacts: Changes to language on availability payments and non-performance changes for existing demand response auction participants and changes to terms</p>
Outage Management (7.3)	<p>Obligations: new section for capacity generation resources further describes the new market rule obligations for this resource type</p> <p>Impacts: substantial changes to the demand response resources testing requirements section</p>
Capacity Auctions (12)	<p>Obligations: more context provided to the capacity obligation transfer section and information for new resource type</p> <p>Impacts: substantial changes throughout which provide more detail on new market rules for new resources and changes to existing rules</p>

# Example: Transitional Capacity Auction

Based on the retrospective assessment, only high level concepts would have been provided at the engagement initiative

Manual	Assessment
Participant Authorization (1.1) Identify Management (1.3) Dispatch Data Submission (4.2) Real-Time Scheduling (4.3) Prudential Support (5.4) Technical Reference (6)	Obligations: unchanged for market participants Impacts: market manual changes only contain changes to terms (e.g. demand response auction to capacity auction)
Connection Assessment (2.10)	Obligations: unchanged for market participants as Phase I does not target new market participants who would need to conduct a SIA/CAA Impacts: market manual changes only contain changes to terms (e.g. demand response auction to capacity auction)

# Example: HDR Out-of-Market Activations

- The IESO provided the Demand Response Working Group (DRWG) with the exact calculation to be included in the market manuals, and outlined the high level concepts of changes to four market manuals
- Based on a retrospective IESO assessment, the IESO would have replicated this approach
  - Obligations: Changes in market manuals to allow for the new design principle
  - Impacts: New calculation to implement design principle, adding references in manuals of the new charge type
  - Additionally, the assessment corresponds with the comments received from stakeholders
  - The proposed market rule amendment refers to the calculations and was the primary subject of stakeholder feedback in the DRWG

# Feedback from MDAG

- Some stakeholders wanted to see all draft market manuals during the engagement initiative (and concurrent with draft market rules) rather than apply a threshold
- Extend the comment period for draft market manuals (typically only one week)
- IESO should provide notifications for all draft market manuals posted for comment

# Discussion Questions

- Guideline
  - Does the principles-based guideline provide sufficient clarity to the marketplace?
  - Are there implementation questions or concerns the IESO should consider?
- Threshold
  - Are there additional factors that the IESO should consider in its assessment criteria?
  - Has the IESO struck the right balance to address stakeholder and Technical Panel interests?

# Next Steps

- *Today* – Review with Technical Panel– comments due by February 18
- The IESO will bring these proposals to the IESO Markets Committee of the Board as part of an update on the governance recommendations (February 25)
- The IESO will follow up with Technical Panel and MDAG at subsequent meetings