



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

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 license. 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: Asgard Resources Limited

(if applicable) *Market Participant /
Metering Service Provider* No.¹: N/A

Market Participant Class:
N/A

Telephone: 514-939-2112

Fax: N/A

E-mail Address: ram@asgardresources.com

PART 2 – MARKET RULE AMENDMENT SUBMISSION INFORMATION

Subject: Ancillary Services

Title: Ancillary Services Contract Terms

Nature of Request (please indicate with x)

Alteration Deletion Addition Clarification

Chapters: 7 Appendix: _____ Sections: 9.3 - Contracted Ancillary Services

Sub-sections proposed for amending/clarifying: 9.3.1.1 (provision limiting the term of service)

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

Background

The IESO amended the market rules late 2009 for the stated purpose of "Allowing Non-Generation Resources to Provide Regulation Service" (ref: MR-00364-R00). At that time, one of the principal rationales for amending the market rules was fairness. Staff argued that there should be no artificial barriers to entry, a principle reflected in subsections 33(9) and 35(6) of the *Electricity Act, 1998*, which provide that a market rule should not unjustly discriminate against, or alternatively, favour a market participant or class of market participants.

The Market Rule Amendment Submission made by IESO Staff October 20th, 2009 is available at: http://www.ieso.ca/imoweb/pubs/mr2009/MR-00364-Q00-Amendment_Submission_with_TP_decision.pdf

The Market Rule Amendment Proposal approved by the IESO Board is available at: <http://iesoqa/imoweb/pubs/mr2010/MR-00364-R00-R04-BA.pdf>

Context

On July 27th, 2011 the IESO released a Request for Proposals ("RFP") for Regulation Service. Respondents were given until August 15th, 2011 to file their intent to participate, which was also the deadline to receive questions. The closing date for the RFP was September 9th, 2011. Regulation services were requested to begin January 1st, 2012, with a maximum three (3) year term, consistent with the maximum term under the current market rules.

Discussion

As a practical matter, respondents wishing to build state-of-the-art, frequency regulation facilities to provide regulation service in Ontario were disadvantaged from responding to the RFP because of the three year term, which is insufficient to amortize capital costs for a state-of-the-art, utility-scale regulations facility, due to high equipment costs and one-time permitting/interconnection costs.

In our view, the market rule (Chapter 7, section 9.3.1.1) preventing the IESO from entering into contracts greater than three (3) years is discriminatory against market participants wishing to make long-term investments in Ontario's infrastructure. This market rule creates an artificial barrier to market entry and deprives the IESO of optimal solutions that would otherwise be available. With this market rule in place, it is difficult to imagine how any participant could finance state-of-the-art frequency regulation capacity, no matter how compelling the economics, how effective and accurate the faster-ramping service or how environmentally benign the technologies that are employed.

PART 4 – PROPOSAL (BY SUBMITTER)

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

PART 4 – PROPOSAL (BY SUBMITTER)

Recommendation

Amend market rule 9.3 "Contracted Ancillary Service Contracts" Chapter 7, section 9.3.1.1 to allow for up to a twenty (20) year term, or alternatively, strike section 9.3.1.1 entirely because it is arbitrary, prejudicial and serves no useful purpose.

9.3 Contracted Ancillary Service Contracts

9.3.1 The IESO shall enter into *contracted ancillary service* contracts with *ancillary service providers*. Such agreements shall, subject to sections 9.3.4 and 9.3.6:

9.3.1.1 be limited in term to not more than ~~36 months~~ twenty (20) years; or alternatively; delete section 9.3.1.1 in its entirety.

It should be noted that all technological and performance risk will continue to properly reside with the regulation service provider to deliver services according to the stringent terms and conditions in the contract. For clarity; should the successful regulation service provider fail to provide regulation services, the usual remedies will apply regardless of the length of the term.

PART 5 – FOR IESO USE ONLY

Technical Panel Decision on Rule Amendment Submission: Warrants consideration

MR Number: MR-00389

Date Submitted to *Technical Panel*: July 10, 2012

Accepted by *Technical Panel* as: (please indicate with x) Date:

General Urgent Minor July 17, 2012

Criteria for Acceptance: The amendment submission identifies means to better enable the market to satisfy the market design principle of efficiency, encouraging technological progress in the long-term.

Priority: Regular

Criteria for Assigning Priority: With a changing power system, most notably with the significant influx of variable generation, new sources of ancillary services may be required in the long term.

Not Accepted (please indicate with x):

Clarification/Interpretation Required (please indicate with x):

PART 4 – PROPOSAL (BY SUBMITTER)

Technical Panel Minutes Reference: IESOTP 263-1

Technical Panel Comments: _____