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## Market Rule Amendment Submission

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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: IESO Staff

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

*Market Participant Class:*  
N/A

Telephone: 905-403-6983

Fax: 905-855-6371

E-mail Address: Rule.amendments@ieso.ca

### PART 2 – MARKET RULE AMENDMENT SUBMISSION INFORMATION

Subject: Compliance

Title: Bulk Electric System Exceptions

Nature of Request (please indicate with x)

Alteration       Deletion       Addition       Clarification

Chapter: 5      Appendix: N/A      Sections: 3.2B (new)

Sub-sections proposed for amending/clarifying: Various

<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*.

#### Summary

It is proposed to modify the market rules in Chapter 5 by inserting a section 3.2B entitled ‘Bulk Electric System (BES) Exceptions’ to enable IESO market participants to request an exception from the application of the North American Electric Reliability Corporation’s (NERC) definition of the BES.

#### Background

The Federal Energy Regulatory Commission (FERC) issued Order 743 on November 18, 2010 and directed NERC to revise its definition of the BES to establish a bright-line threshold that includes all non-radial transmission elements and facilities operated at or above 100 kV, and to eliminate a regional entity’s discretion to define the elements and facilities that make up the BES<sup>1</sup>. FERC also ordered NERC to develop an exception process for facilities that would otherwise be included in the revised BES definition.

NERC amended the definition in accordance with FERC Order 743 and filed the revised definition of the BES and the BES Exception procedure by the January 25, 2012 deadline. With the revised BES definition and BES Exception procedure receiving stakeholder approval during phase 1 of the project it is expected that FERC will make their final ruling on the revised BES definition and BES Exception procedure by the 3<sup>rd</sup> quarter of 2012.

The definition of the BES is used to determine the applicability of the NERC reliability standards. Owners or operators of BES facilities are subject to NERC reliability standards. However, an owner can seek an exception using NERC’s BES Exception procedure which allows entities to request and receive an exception to either:

- (a) Exclude from the BES any element that would otherwise be included by application of the revised BES definition; or
- (b) Include within the BES any element that would otherwise be excluded by the application of the revised BES definition.

NERC’s Rules of Procedure also allow for Canadian entities to establish a comparable procedure for BES Exception applications. The IESO established the BES Exception Process Development Team, comprised of individuals from the IESO, Hydro One and the OPA, to develop an Ontario-adapted BES Exception procedure comparable to NERC’s Rules of Procedure regarding the BES Exception process. The criteria for granting exceptions will continue to be developed and will be finalized and included in the “Ontario Bulk Electric System Exception Procedure” prior to submission to the IESO Board for

<sup>1</sup> NERC’s current definition of Bulk Electric System is: “*As defined by the Regional Reliability Organization, the electrical generation resources, transmission lines, interconnections with neighboring systems, and associated equipment, generally operated at voltages of 100 kV or higher. Radial transmission facilities serving only load with one transmission source are generally not included in this definition*”.

### PART 3 – DESCRIPTION OF THE ISSUE

approval.

In addition to the BES Development Team the IESO is meeting with impacted stakeholders under Stakeholder Engagement initiative SE-100<sup>2</sup> to seek input on draft market manual 2.18: “Ontario Bulk Electric System Exception Procedure.” SE-100 will give market participants an opportunity to provide feedback on the exception criteria.

Market rule amendments are required to grant the IESO authority to establish a BES Exception procedure, to approve a BES Exception request, to permit market participants who own elements and facilities to use the BES Exception process, and to allow the IESO to recover costs associated with assessing and processing BES Exception requests.

The IESO is also proposing to establish a separate charge for BES Exception requests which is consistent with the approach used for Technical Feasibility Exceptions. The reasons for this proposed approach are as follows:

- **Cost Causality:** Costs should be borne by the BES Exception applicants since they are the sole users of the service provided by the BES Exception procedure.
- **Scope:** The proposed cost recovery methodology ensures that market participants request only those BES Exceptions which are appropriate, require due consideration and do not require an inordinate use of IESO resources.
- **Rate Stability:** This cost recovery mechanism ensures that the processing of future BES elements and facilities does not adversely affect the IESO’s costs and associated fees.

The key elements of the proposed market rule amendments are as follows:

- The IESO would be granted authority to approve BES Exceptions in Ontario;
- A market participant would be permitted to apply to the IESO for a BES Exception;
- Upon applying for a BES Exception, the market participant would be required to sign an agreement agreeing to:
  - Pay the IESO the costs of the IESO’s processing of the BES Exception request;
  - Submit a deposit with the IESO for such costs; and
  - Provide any additional supporting documentation as required.
- The IESO would be obligated to assess each application in accordance with an Ontario-adapted BES Exception procedure;
- The IESO would be granted permission to consult with NERC, NPCC or any other governing agency as required in its assessment of a BES Exception application;
- Failure by a market participant to meet any of the terms or conditions of an approved BES Exception would constitute a breach of the market rules;
- The IESO would be granted authority to approve, in whole or in part, or reject BES Exception applications; and

<sup>2</sup> [Stakeholder Engagement 100: SE-100](#)

