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## Market Rule Amendment Proposal

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### PART 1 – MARKET RULE INFORMATION

Identification No.:	MR-00394-R00		
Subject:	Compliance		
Title:	Bulk Electric System Exceptions		
Nature of Proposal:	<input type="checkbox"/> Alteration	<input type="checkbox"/> Deletion	<input checked="" type="checkbox"/> Addition
Chapter:	5	Appendix:	N/A
Sections:	3.2B (new)		
Sub-sections proposed for amending:	Various		

### PART 2 – PROPOSAL HISTORY

Version	Reason for Issuing	Version Date
1.0	Draft for Technical Panel review	July 10, 2012
2.0	Publish for Stakeholder Review and Comment	July 19, 2012
3.0	Submitted for Technical Panel Vote	August 14, 2012
4.0	Recommended by Technical Panel; Submitted for IESO Board Approval	August 21, 2012
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 modify the market rules in Chapter 5 by inserting section 3.2B entitled ‘Bulk Electric System (BES) Exceptions’ to enable IESO market participants who own IESO-controlled grid elements or facilities and connection applicants to request an exception from the application of the North American Electric Reliability Corporation’s (NERC) definition of the BES.

**Background**

Refer to MR-00394-Q00

**Discussion**

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.

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 or connection applicants to use the BES exception process, and to allow the IESO to recover costs associated with assessing and processing BES exception requests.

The key elements of the proposed market rule amendments are described below.

- **Section 3.2B.1** – A market participant or a connection applicant would be permitted to request a BES exception, request changes to an approved BES exception, or withdraw a BES exception at anytime. A market participant or a connection applicant would also be required to submit an initial deposit with the IESO for the initial assessment of the BES exception request.
- **Section 3.2B.2** – The IESO would be granted the authority to review, accept or reject a BES

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<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 – EXPLANATION FOR PROPOSED AMENDMENT**

exception request in whole or in part.

- **Section 3.2B.3** – The IESO shall assess a BES exception request in accordance with Ontario-adapted NERC procedure for processing BES exception requests.
- **Section 3.2B.4** – The market participant or a connection applicant shall provide to the IESO in accordance with the applicable market manual and upon request by the IESO: a deposit, any additional supporting documentation, and a signed agreement to pay the IESO the reasonable costs of the IESO’s processing of the BES exception request.
- **Section 3.2B.5** – The IESO shall establish a cost threshold for a BES exception request and when that threshold is reached, the IESO shall advise the BES exception applicant of the work and the associated costs incurred to date and provide an estimate of the further work and associated costs necessary to complete the processing of the BES exception request. The BES exception applicant may either choose to continue with the processing of the request or discontinue the processing of the request and remit to the IESO reimbursement for the reasonable costs incurred by the IESO to that point.
- **Section 3.2B.6** – The IESO would be permitted to use an independent third party to review a BES exception request submitted by a market participant.
- **Section 3.2B.7** – After receiving a recommendation from the IESO on a BES exception request, the IESO Board or a panel of the IESO Board as determined by the Chair of the IESO Board would be granted authority to approve or disapprove BES exception requests and would also be granted the authority to amend or terminate an approved BES exception. Requests that are approved, amended or transferred, in whole or in part, will be subject to and include any terms and conditions the IESO determines appropriate as per the applicable market manual.
- **Section 3.2B.8** – Failure by a market participant to meet any of the terms and conditions of an approved BES exception would constitute a breach of the market rules and the IESO Board or a panel of the IESO Board as determined by the Chair of the IESO Board may terminate the approved BES exception and require the BES exception applicant to become compliant with the applicable NERC reliability standards.
- **Section 3.2B.9** – All approved BES exceptions are subject to periodic review to verify continuing justification for the BES exception in accordance with the Ontario-adapted BES exception procedure.
- **Section 3.2B.10** – The IESO would be obligated to submit an invoice, with the level of detail outlined in the applicable market manual, to the BES exception applicant upon completion of the processing of the BES exception request for all of the IESO’s costs and expenses relating to the processing of the request minus any deposits paid to date by the applicant.
- **Section 3.2B.11** – The BES exception applicant shall within thirty days of the invoice issued pursuant to sections 3.2B.5.3 or 3.2B.10 pay the IESO the amount owing.

## PART 4 – PROPOSED AMENDMENT

## Chapter 5

**3.2B Bulk Electric System Exceptions**

- 3.2B.1 A BES exception applicant may, in accordance with the applicable market manual, request the IESO approve, amend, transfer, or terminate one or more BES exceptions by filing with the IESO a BES exception request for each required BES exception, and shall, in accordance with the applicable market manual submit to the IESO an initial deposit. A BES exception applicant may withdraw a BES exception request at any time.
- 3.2B.2 The IESO may review, reject or accept a BES exception request in whole or in part.
- 3.2B.3 The IESO shall process a BES exception request in accordance with the Ontario-adapted NERC procedure for processing BES exception requests as set out in the applicable market manual.
- 3.2B.4 Upon request by the IESO, a BES exception applicant shall provide to the IESO:
- 3.2B.4.1 a substantive review deposit amount;
  - 3.2B.4.2 any supporting documentation; and
  - 3.2B.4.3 an executed agreement pursuant to which the BES exception applicant agrees to pay to the IESO an amount equal to all of the reasonable costs incurred by the IESO in processing the BES exception request.
- 3.2B.5 Where applicable, for each BES exception request, the IESO shall establish a cost threshold or subsequent cost thresholds which it considers to be reasonable and which will form part of the executed agreement set out in section 3.2B.4.3 and will monitor expenditures against the processing costs of a BES exception request and where that threshold is reached:
- 3.2B.5.1 the IESO shall advise the BES exception applicant of the work and costs incurred to date;
  - 3.2B.5.2 the IESO shall provide an estimate to the BES exception applicant of the further work and costs necessary to complete the processing of the BES exception request; and
  - 3.2B.5.3 the BES exception applicant may choose to continue with the processing of the BES exception request or discontinue the processing

of the *BES exception request*. In the event that the *BES exception applicant* chooses to discontinue the processing by withdrawing the *BES exception request*, the *IESO* shall issue an *invoice* to the *BES exception applicant* for the reasonable costs incurred by the *IESO* to that point.

- 3.2B.6 The *IESO* may utilize an independent third party to review a *BES exception request* submitted by a *BES exception applicant*.
- 3.2B.7 After receiving a recommendation from the *IESO* on a *BES exception request*, the *IESO Board* or a panel of the *IESO Board* as determined by the Chair of the *IESO Board* may:
- 3.2B.7.2 approve or disapprove a *BES exception request*, in whole or in part, subject to and including any terms and conditions the *IESO* determines appropriate or disapprove a *BES exception request*, in whole or in part;
- 3.2B.7.3 upon the request of a *market participant* or a *connection applicant* amend or transfer a *BES exception*, in whole or in part, subject to and including any terms and conditions the *IESO* determines appropriate; or
- 3.2B.7.4 terminate or amend an approved *BES exception*, in whole or in part, subject to any terms and conditions the *IESO* determines appropriate.
- 3.2B.8 A failure by a *market participant* or the *IESO* to meet any of the terms and conditions of an approved *BES exception* shall be a breach of the *market rules* and the *IESO Board* or a panel of the *IESO Board* as determined by the Chair of the *IESO Board* may terminate the approved *BES exception* and require the *BES exception applicant* to become compliant with the applicable *NERC reliability standards*.
- 3.2B.9 All *BES exceptions* are subject to periodic review, in accordance with the applicable *market manual*, to verify continuing justification for the *BES exception* and may be referred to the *IESO Board* or a panel of the *IESO Board* as determined by the Chair of the *IESO Board* in accordance with section 3.2B.1.4.
- 3.2B.10 The *IESO* shall submit an *invoice* to a *BES exception applicant* upon completion of the processing of that applicant's *BES exception request* in an amount equal to all of the *IESO's* costs and expenses relating to the processing of the *BES exception applicant's BES exception request* less the amount of any deposit paid pursuant to section 3.2B.3.1.
- 3.2B.11 A *BES exception applicant* shall, within thirty days of the date of an *invoice* referred to in section 3.2B.5.3 or 3.2B.10, pay to the *IESO* the amount owing.

**PART 5 – IESO BOARD DECISION RATIONALE**

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