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Sent: April 17, 2014 10:15 AM

To: IESO Stakeholder Engagement

Cc: David Butters

Subject: MR-00407-R00 & R01: General Conduct Rule

Northland Power Inc. supports the position of APPrO with respect to **MR-00407-R00 & R01: General Conduct Rule**, as filed with the IESO on April 14th, 2014.

Northland Power Inc. notes that APPrO has sought to accommodate the development of the GCR in a number of areas. However, there are some areas where the GCR is unbalanced and fundamentally flawed, specifically:

- The lack of an explicit “legitimate business purpose” defence for market participants; and
- The exclusion of IESO rule making from the scope of the rule.

Legitimate Business Purpose Defence:

- The very broad list of offences in the rule makes it necessary to ensure that appropriate business activity is not caught within its scope. Otherwise, a market participant who engages in behaviour for business reasons unconnected to electricity market incentives (including steam host, or gas transmission issues) could find themselves fighting an allegation of non-compliance.
- Having a Legitimate Business Purpose Defence allows market participants (in FERC’s language) to “have the opportunity to show that their actions were not designed to distort prices or otherwise manipulate the market.”
- The IESO’s position on this radically changed. It initially argued that the legitimate business purpose defence was implicit and an explicit defence was therefore not necessary. At the very end of the March 25th Technical Panel meeting, it reversed itself and argued that a legitimate business purpose defence would justify any profit seeking. The IESO provided no authority for this and it completely contradicts FERC jurisprudence on this topic.

Exclusion of IESO Rule Making

- The IESO has given no reason why all market participants should be bound but the IESO should not be.
- Every other conduct rule in North America is binding on ISOs in their rule making capacity.
- FERC oversees ISO compliance with conduct rule and non-FERC regulated entities (AESO and ERCOT) expressly covered in their home jurisdictions’ rules.

- In order to bring this provision closer to the IESO goal of exempting rule making from the GCR while still having a meaningful impact on IESO activities that interfere with the determination of market prices, we support APPrO's view that proposes that the exemption be restricted to "market rules made by the IESO in accordance with s. 32(1) of the *Electricity Act, 1998*."

Thanks,

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