



Market Rule Amendment Written Submission

This form is used to provide comment on a *market rule* amendment under consideration by the *IESO*. Please complete all four sections 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 Written 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* intends to *publish* this written submission.

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 your organization and contact information in full.	
Name: <u>HQ Energy Marketing Inc.</u>	<u>Matthieu Plante</u>
(if applicable) <i>Market Participant / Metering Service Provider</i> No. ¹ : <u>104345</u>	<i>Market Participant Class</i> : <u>Wholesaler</u>
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PART 2 – MARKET RULE AMENDMENT REFERENCE

<p>Type of Rule Amendment Being Commented on (please indicate with x):</p> <p><input checked="" type="checkbox"/> Amendment Submission <input type="checkbox"/> Proposed Rule Amendment <input type="checkbox"/> Recommended Rule Amendment</p> <p>MR Number: <u>00423-R00</u></p> <p>This <i>Market Rule</i> number is located on the “Current Market Rule Amendment” web page.</p> <p>Date Relevant Amendment Submission, Proposed or Recommended Rule Amendment Posted for Comment: <u>July 7, 2015</u></p>

¹ This number is a maximum of 12 characters and does not include any spaces or underscore.

PART 3 – COMMENTS ON RULE AMENDMENT

Provide your comments.

HQ Energy Marketing Inc. (“HQEM”) welcomes this opportunity to provide comments to the IESO and the Technical Panel members. In this filing, HQEM proposes to complement IESO’s Amendment Submission with a change in the allocation mechanism for the cost recovery of constrained-off congestion management settlement credits (“CMSC”), as per below.

Context

In this Market Rule Amendment Submission, IESO proposes to eliminate constrained-off CMSCs to inertie traders where transactions are constrained-off in the final pre-dispatch run prior to the dispatch hour. In its submission, IESO contends this would remove “*bids and offers that have the potential to distort the market (...)*.” No changes are proposed to similar credits currently received by demand response participants or by generators.

CMSC payments are incurred for the purposes of avoiding transmission or adequacy issues (supply/demand balance), to the direct benefit of Ontario loads. These payments are currently recovered through the Hourly Uplifts (in IESO’s billing nomenclature), which are charged proportionally to Ontario loads’ and exports’ consumption. In its May-October 2013 Monitoring Report, the Market Surveillance Panel (“MSP”) noted the following (p.76): “*Other costs recovered through hourly uplift charges could be attributable to or induced by a single market participant or group of market participants, but those market participants are not easily identifiable and there is no practice of allocating these costs directly to them. To the extent that there is any subsidization from Ontario consumers to exporters, or vice versa, related to hourly uplift using the current allocation methodology, it is not readily determinable.*” (emphasis added)

Proposal

HQEM is of the view that, with the proposed Market Rule Amendment, allocating export transactions the Hourly Uplift amounts applicable to constrained-off CMSCs would be contrary to cost causality principles. Our view is that export transactions do not trigger or cause constrained-off CMSC costs. Furthermore, with the proposed Market Rule Amendment, export transactions would no longer be eligible for these credits. The MSP determination in the quote above points to allocating costs to a specific group of market participants where those can be identifiable. In this case, exports can easily be identified as *non-contributors* to those uplift costs.

HQEM respectfully recommends that constrained-off CMSC costs be removed from the Hourly Uplifts currently charged to export transactions. Doing so will result in a more efficient and fair market design, especially in the context of the current Amendment Submission.

PART 4 – EXTERNAL CONSULTATION MEETING

If you believe that a special meeting of stakeholders would be necessary/desirable to discuss the issues raised by the rule amendment, please complete the following information:

External Stakeholdering meeting necessary/desirable (please indicate with x):

PART 4 – EXTERNAL CONSULTATION MEETING

Reason(s) why you believe a meeting is necessary/desirable:

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