



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 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: <u>IESO Staff</u>	
(if applicable) <i>Market Participant / Metering Service Provider</i> No. ¹ : <u>N/A</u>	<i>Market Participant Class</i> : <u>N/A</u>
Telephone: <u>905 403-6955</u>	Fax: _____
E-mail Address: <u>rule.amendments@ieso.ca</u>	

PART 2 – MARKET RULE AMENDMENT SUBMISSION INFORMATION

Subject: <u>Reliability Standards</u>	
Title: <u>Mapping NERC Functional Model and Reliability Standards to the Ontario Market</u>	
Nature of Request (please indicate with x)	
<input type="checkbox"/> Alteration	<input type="checkbox"/> Deletion
<input checked="" type="checkbox"/> Addition	<input type="checkbox"/> Clarification
Chapter: <u>5</u>	Appendix: _____ Sections: <u>3, 14</u>
Sub-sections proposed for amending/clarifying: <u>3.4.2, 3.5.3, 3.6.2, 3.7.2, 14.1</u>	

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*.

The IESO is responsible for maintaining the reliability of Ontario’s integrated power system in accordance with all applicable reliability standards, including those established by the North American Electric Reliability Corporation (NERC)¹. These standards are referenced in the market rules that govern the operation of the electricity marketplace and integrated power system. Market participants are obligated under the market rules to comply with applicable reliability standards.

At the time the market rules were developed, NERC Operating Policies were based on a “Control Area” model. Historically, Control Areas were established by vertically integrated utilities to operate their individual power systems. Within the context of reliability, these vertically integrated utilities were “control area operators”, responsible for reliability within their control area.

With the advent of electricity industry restructuring, many vertically integrated utilities were separated into multiple entities performing various reliability functions. Therefore, the responsibility for some of the functions traditionally performed by control area operators was assumed by these other entities. Recognizing that there was no longer a common reliability organization structure, NERC and the industry developed a Reliability Functional Model (“NERC Functional Model”)². This model provides the framework for assigning responsibilities associated with NERC reliability standards.

The NERC Functional Model defines “Responsible Entities” based on grouped activities or “Functions” that are required to operate and plan the integrated power system. In turn, the new NERC reliability standards, developed from the NERC operating and planning policies, contain specific planning and operating requirements that are assigned to these Responsible Entities. An entity may have a single or multiple Responsible Entity designations depending on their facilities and activities. The NERC Functional Model also defines the relationship between and among the Responsible Entities.

Ontario License Structure vs. NERC Functional Model

The Ontario Energy Board licenses all market participants in the electricity sector under the following five categories³: generators, transmitters, distributors, wholesalers, and retailers. The type of license a market participant holds determines which market rule obligations and responsibilities apply to that participant.

In June 2006, the IESO held a workshop to discuss the impact of the Electric Reliability Organization (ERO) on market participants. During this workshop the IESO provided an overview of how the current market participant license structure and reliability standards obligations in Ontario compare with the NERC Functional Model. Stakeholder feedback indicated that the current market rules are not clear about which reliability standards obligations apply to which market participants. Greater clarity

¹ As of December 18, 2006, the North American Reliability Council is succeeded by the North America Reliability Corporation.

² Version 2 is currently in effect and Version 3 is undergoing the approvals process. The basic structure of the NERC Functional Model is the same in both versions which can be viewed at <http://www.nerc.com/~filez/functionalmodel.html>

³ The IESO and the Ontario Power Authority (OPA) are licensed as IESO and OPA, respectively.

PART 3 – DESCRIPTION OF THE ISSUE

regarding the applicability of the more than one hundred reliability standards is needed so that market participants can focus their efforts on complying with the appropriate standards obligations. The IESO actively monitors these standards and requirements and has established the IESO Reliability Compliance Program (IRCP) to assist market participants in understanding their obligations related to reliability standards. The IRCP also submits reliability-related information to other standards authorities on behalf of market participants. The role of the IRCP is consistent with one of the functions of the IESO which is to ensure the efficient and effective implementation of rules and standards contained in the market rules (Ch 1, section 1.3).

Rather than specify the NERC Functional Model Responsible Entities and Functions within the market rules, the IESO proposes to introduce a market rule obligation on the IESO to identify to each market participant their appropriate Responsible Entity designation(s) and subsequent NERC reliability standard obligations. This would provide clarity regarding market participant reliability standards obligations while providing sufficient flexibility to determine Responsible Entity designations on a case-by-case basis for each market participant, depending on their facilities and activities.

In consultation with market participants, the IESO would:

- Explicitly identify the Responsible Entities designations, as defined in the NERC Functional Model, of the IESO and market participants in Ontario; and
- Identify the applicable NERC and Northeast Power Coordinating Council, Inc. (NPCC) reliability standards obligations for each Responsible Entity designation.

Compliance Accountability in Ontario

Ontario's existing reliability and compliance framework for the electricity sector has been clarified with the signing of a joint memorandum of understanding (MOU) between the IESO, NERC, and NPCC, and the MOU between the Ontario Energy Board (OEB) and NERC⁴. The MOUs state that the IESO is:

- The sole entity in Ontario accountable to NERC for compliance with all NERC reliability standards applicable to Ontario, and
- Responsible for providing to NERC and NPCC all information respecting reporting requirements contained in the NERC reliability standards and NPCC regional reliability criteria.

The Market Rules (Chapter 5, section 14.1.4) obligate market participants to provide information related to reliability standards to the IESO so that the IESO can fulfill its reporting obligations to NERC and NPCC. The market rules also require transmitters, wholesale customers, generators, and distributors to carry out their obligations in Chapter 5 in accordance with all applicable reliability standards (refer to sections 3.4.2, 3.5.3, 3.6.2, 3.7.2). Since certain NERC Reliability standards require the responsible entity to submit information directly to NERC or a regional reliability organization (such as NPCC), this implies that market participants must also submit reliability-related information to NERC and/or NPCC in order to be compliant with the market rules. Therefore, there is an inconsistency between the current market rules and the MOU which states that the IESO has sole responsibility for providing reliability-related information to NERC and/or NPCC. The IESO proposes to remove this inconsistency by specifying, in the market rules, that market participants must submit reliability-related information to the IESO and are not required to submit such information to other

⁴ The MOUs set forth the mutual understandings of each of the signatories in relation to NERC's status as the ERO in Ontario. The MOUs can be viewed at <http://www.ieso.ca/imoweb/ircp/ero.asp>

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standards authorities. As stated in the MOU between IESO, NERC, and NPCC, NERC and NPCC reliability standards have effect in Ontario under the authority of the market rules, subject to the provisions of the market rules and applicable legislation.

PART 4 – PROPOSAL (BY SUBMITTER)

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

Clarify Functional Responsibilities

Under section 3.3 of Chapter 5, add an obligation on the IESO to identify, in consultation with each market participant, the market participant's functional responsibilities based on the NERC Functional Model and the corresponding reliability standards obligations that apply.

Clarify Reporting Requirements for Reliability-Related Information

- In section 14.1.2 of Chapter 5, add provisions to:
 - Clarify that market participants must provide reliability-related information to the IESO and are not required to provide such information to other standards authorities, and
 - Obligate the IESO to provide reliability-related information to other standards authorities on behalf of market participants.
- Amend sections 3.4.2, 3.5.3, 3.6.2, 3.7.2 of Chapter 5, so that those sections are subject to the new reporting protocols introduced in section 14.1.2

(Note: The market rule sections noted above are attached for reference.)

PART 5 – FOR IESO USE ONLY

Technical Panel Decision on Rule Amendment Submission: Warrants consideration

MR Number: MR-00330

Date Submitted to *Technical Panel*: 11 Jan 07

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

Date:

General Urgent Minor

16 Jan 07

Criteria for Acceptance:

1. It identifies means to better enable the market to satisfy the market design principle of transparency. Identifying to market participants their Responsible Entity designations based on the NERC Reliability Functional Model would provide greater clarity regarding which reliability standards obligations apply to which market participants.
2. It identifies an error or inconsistency between the Market Rules and applicable laws, regulations, codes, OEB licenses, etc. An inconsistency exists between the market rules and certain reliability standards with respect to the reporting of reliability-related information.

Priority: High

Criteria for Assigning Priority:

1. Pervasiveness of the problem: Clarifying the applicability of reliability standards obligations benefits all market participants since all market participants are required to comply with a specific and potentially unique set of reliability standards, depending on the market participant's facilities and activities.
2. Practical consequences:
 - The IESO actively monitors reliability standards and requirements and, through the IESO Reliability Compliance Program (IRCP), assists market participants in understanding their reliability-related obligations. Therefore, a suitable forum for identifying to market participants their Responsible Entity designation(s) based on the NERC Reliability Functional Model already exists in the IRCP.
 - Clarifying, in the market rules, the reporting obligations related to reliability standards would eliminate the potential for unnecessary duplication in reporting.

Not Accepted (please indicate with x):

Clarification/Interpretation Required (please indicate with x):

Technical Panel Minutes Reference: IESOTP 196-1

Technical Panel Comments:

Some Panel members expressed concern that there may be issues with the task of mapping the NERC/NPCC standards obligations to Ontario market participants because of existing connection agreements or other regulatory instruments.

3. Obligations and Responsibilities

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3.3 Reliability-Related Information

- 3.3.1 Within 90 days after the date of coming into force of this Chapter, the *IESO* shall *publish* a list of the categories of *reliability*-related information that it shall make available to *market participants*, the time periods within which such information will be provided, and the manner in which such information will be provided. Such information shall include, but not be limited to, information designed to:
- 3.3.1.1 enable *market participants* to initiate procedures to manage the potential risk of any action taken by the *IESO* to maintain the *reliability* of the *IESO-controlled grid*;
 - 3.3.1.2 assist *market participants* in meeting their obligations under this Chapter; and
 - 3.3.1.3 notify *market participants* of any operating changes or decisions that may have an impact on their operations, *facilities* or equipment.
- 3.3.2 Within 90 days after the date of coming into force of this Chapter, the *IESO* shall publish a catalogue of the *reliability*-related information that the *IESO* shall require be provided to it by *market participants*, including the information referred to in section 14.1.3, the time periods within which such information will be provided and the manner in which such information will be provided. At the same time, the *IESO* shall *publish* initial monitoring indices that the *IESO* shall use in evaluating the information so provided.
- 3.3.3 *Market participants* shall provide the *IESO* with the information referred to in section 3.3.2 within the time and in the manner required.
- 3.3.4 Subject to the confidentiality provisions of Chapters 3 and 4, the *IESO* shall, if requested to do so by a *market participant*, provide to that *market participant* *reliability*-related information not contained in the list referred to in section 3.3.1, provided that the *IESO* shall be under no obligation to provide any information that, in the *IESO's* opinion, would provide the requesting *market participant* with an undue advantage in the *IESO-administered markets*. In order to prevent any such undue advantage, the *IESO* may provide *market participants* with notice of

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the request prior to providing such information and may make the information requested by a *market participant* simultaneously available to all *market participants*.

3.4 Obligations of Transmitters

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3.4.2 Each *transmitter* shall carry out its obligations under this Chapter in accordance with all applicable *reliability standards*.

3.5 Obligations of Wholesale Customers

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3.5.3 Each *wholesale customer* shall carry out its obligations under this Chapter in accordance with all applicable *reliability standards*.

3.6 Obligations of Generators (Embedded and Non-embedded)

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3.6.2 Each *generator* shall carry out its obligations under this Chapter in accordance with all applicable *reliability standards*.

3.7 Obligations of Distributors

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3.7.2 Each *distributor* shall carry out its obligations under this Chapter in accordance with all applicable *reliability standards*.

14. Information and Reporting Requirements

- 14.1.1 The *reliable* operation of the *IESO-controlled grid* requires the rapid and continuous flow of accurate information among the *IESO*, *market participants* and *interconnected systems*, with due regard for maintaining the confidentiality of information where appropriate. To that end, the *IESO* shall establish and periodically up-date and inform all *market participants* with respect to the specific information it requires from *market participants* for *reliability* purposes.
- 14.1.2 Each *market participant* shall provide the information referred to in section 14.1.1 to the *IESO* in the manner and within the time prescribed by the *IESO*.
- 14.1.3 The *IESO* shall establish a catalogue of reporting requirements listing the *reliability*-related information to be exchanged between the *IESO* and *market participants*. Such reporting requirements shall include, but not be limited to, the following:
- 14.1.3.1 each *market participant* shall report to the *IESO* the planned implementation of a change to a setting on a fixed-tap transformer. This information shall be reported to the *IESO* in writing one week prior to the date scheduled for implementation of such change, provided that where such change is effected on an unplanned, emergency basis, the information shall be reported to the *IESO* within one *business day* of implementation of the change;
- 14.1.3.2 each *market participant* shall report to the *IESO* any change in equipment and *facilities* to that which has been provided pursuant to Chapter 4;
- 14.1.3.3 each *market participant* shall report to the *IESO* a list of all of its equipment for which periodic maintenance has been performed on *special protection systems* in the previous 12 months, as required by relevant *standards authorities*. This information shall be reported no later than the first day of December in each year;
- 14.1.3.4 each *market participant* shall provide to the *IESO* a report describing any modification proposed to be made to protection on a primary relay. The report shall be delivered to the *IESO* within one week of the date on which the *IESO* approves such modification pursuant to section 6 of Chapter 4, or, where the modification is effected on an

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- unplanned, emergency basis, within one week of the date of modification;
- 14.1.3.5 each *market participant* shall annually provide to the *IESO* a written summary of actions taken to control *demand* in the previous 12 months;
- 14.1.3.6 each *market participant* shall annually provide to the *IESO* a written summary of automatic under-frequency load shedding activities taken in the previous 12 months; and
- 14.1.3.7 each *market participant* shall annually provide to the *IESO* a report of *reliability*-related performance measures for transmission *facilities* and *connections* to the *IESO-controlled grid* in accordance with all applicable *reliability standards*.
- 14.1.4 Each *market participant* shall provide to the *IESO* such data as may be required by the *IESO* to enable it to satisfy a request by a *standards authority*.
- 14.1.5 The *IESO* shall file such reports including, but not limited to, disturbance reports, and participate in such discussions as may be required by relevant *standards authorities*. Each *market participant* shall provide to the *IESO* such information and reports as may be required by the *IESO* to facilitate preparation by the *IESO* of such disturbance reports.