



Market Rule Amendment Proposal

PART 1 – MARKET RULE INFORMATION

Subject: Transmission Rights Market		
Title: Transmission Rights Market Contingency Plan and Clean-up – Contingency Plan		
Nature of proposal (please indicate with X on the right): Alteration Deletion Addition X		
Chapter: 8	Appendix:	
Sections: 4.1		
Sub-sections proposed for amending: 4.1.6 (new); 4.1.7 (new); 4.1.8 (new)		

PART 2 – PROPOSAL HISTORY

Issue	Reason for Issue	Issue Date
	Amendment Submission (MR-00196 Q00-Q02; IMOTP 104-4) endorsed by Technical Panel	14 May 2002
1.0	Technical Panel Review (IMOTP 105-3b)	24 May 2002
2.0	Posted for Stakeholder Review and Comment	29 May 2002
3.0	Technical Panel Review (along with R01, R02, R03) (IMOTP 106-2b)	6 June 2002
4.0	Submitted for IMO Board approval	13 June 2002
5.0	IMO Board Approved	4 July 2002

Approved Amendment Publication Date: 8 July 2002

Approved Amendment Effective Date: 1 August 2002

PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

Provide a brief description of the following:

- The reason for the proposed amendment and the impact the *IMO-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 *IMO-administered markets*.

It is proposed that the IMO be authorized to cancel, or reasonably modify the manner in which it conducts, a transmission rights auction. The IMO would be permitted to take these actions only for a failure in market participant or IMO software, hardware or communication systems associated with a transmission rights auction. If the IMO were to exercise these authorities, it would be obligated to notify all market participants prior to taking any such action. The over-riding intent is to conduct a transmission rights market auction with as many transmission rights market participants as practicable.

The current market rules do not contemplate that it may not be possible to conduct a transmission rights auction exactly as specified in the market rules. Failures in the market participant or IMO-administered market software, hardware or communication systems may make conducting an auction exactly as specified physically impossible. The market rules should recognize this contingency and authorize the IMO to cancel or reasonably modify the transmission rights auction activities under these circumstances, and hence make the transmission rights market more robust.

Such a change is consistent with the following legislated objects of the IMO: “to establish and operate the IMO-administered markets to promote the purposes of the *Electricity Act, 1998*”. The applicable purposes of the *Electricity Act, 1998* that this amendment addresses are “to provide generators, retailers and consumers with non-discriminatory access to transmission and distribution systems in Ontario” and “to promote economic efficiency in the generation, transmission and distribution of electricity;”. A more robust transmission rights market will contribute to meeting these purposes.

The proposed amendments explicitly authorize the IMO to:

- Conduct a transmission rights auction using contingency procedures, including the contingency plan specified in the applicable market manual (refer to new section 4.1.6.1). In Market Manual 4.4 Transmission Rights Auction Appendix F “TRA Contingency Plan” a procedure is described to address a failure in the market participant interface. It is not possible to develop, in advance, contingency procedures for all possible failures or circumstances, and so the proposed amendment has a general provision for the IMO to invoke contingency procedures depending on the specific circumstances.
- Conduct a transmission rights auction and related activities under timelines different than those specified in the market rules (refer to new section 4.1.6.2). The market rules specify the dates for short-term and long-term auction (sections 4.10 and 4.11 respectively), as well as timelines for issuing settlement statements and invoices, as well as for payment (chapter 8 section 4.19 and chapter 9 section 6). Depending on the nature or cause of the failure and the time required to remedy it, it may be necessary to delay a transmission rights auction so that it would occur outside of the timelines currently specified in the market rules. It may also be necessary to compress the time allowed for the related activities in order that the auction is completed and transmission rights awarded before the start of period for which the rights apply. This flexibility is necessary to ensure that auctions can be conducted, even if under compressed timelines, to benefit the market.

- Cancel all or part of a transmission rights auction. This action would be taken if the failure cannot be remedied in time for the auction and related activities to be completed in time for the start of the period for which the rights apply.

In addition, the proposed amendments obligate the IMO to notify, as soon as practicable, all TR participants that it is taking any of the above actions and provide information regarding the revised procedures and timelines (refer to new section 4.1.7). The intent is to provide TR participants with sufficient time and information to prepare for the auction.

It is also proposed to explicitly obligate only those TR participants that wish to participate in a transmission rights auction that is being conducted under contingency procedures and/or revised timelines to comply with the applicable contingency procedures and revised timelines specified by the IMO (refer to new section 4.1.8).

An alternative solution that was considered was that the transmission rights market auctions under the above failure scenarios would be “suspended” under chapter 7 section 13. This approach was not chosen because a transmission rights market auction is a discrete event, rather than a continuous event as is the real-time market. The market suspension provisions of chapter 7 section 13 are judged to be more applicable to the continuous nature of the real-time markets. Changes to, delays in, or cancellation of a transmission rights auction are best addressed in a manner more suited to its different nature and as proposed.

PART 4 – PROPOSED AMENDMENT

4.1 Purpose, Interpretation, and Transition

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- 4.1.6 The *IMO* may, for reasons of a failure in *TR participant* or *IMO* software, hardware or communication systems associated with a *TR auction*:
- 4.1.6.1 conduct a *TR auction* using contingency procedures, including but not limited to the contingency procedures defined in the applicable *market manual*;
 - 4.1.6.2 conduct a *TR auction* and related activities along timelines other than those specified within this section 4; or
 - 4.1.6.3 in the event that the *IMO* cannot conduct an effective *TR auction* in a commercially reasonable manner using contingency procedures and/or modified timelines, cancel all or part of a *TR auction*.
- 4.1.7 The *IMO* shall, as soon as practicable and prior to taking any action pursuant to section 4.1.6, notify all *TR participants* of any *TR auction* cancellation, and/or any contingency procedures, revised timelines and revised activity schedules which the *IMO* intend to implement.

4.1.8 *TR participants* shall comply with any applicable contingency procedures, revised activity schedules or revised timelines specified by the *IMO* under sections 4.1.6 and 4.1.7.

PART 5 – IMO BOARD COMMENTS



Market Rule Amendment Proposal

PART 1 – MARKET RULE INFORMATION

Identification No.: MR-00196-R01		
Subject: Transmission Rights Market		
Title: Transmission Rights Market Contingency Plan and Clean-up - Include Additional Banks for Provision of TR Market Deposits		
Nature of proposal (please indicate with X on the right): Alteration X Deletion Addition		
Chapter: 8	Appendix:	
Sections: 4.8		
Sub-sections proposed for amending: 4.8.2A.1		

PART 2 – PROPOSAL HISTORY (REFER TO MR-00196-R00)

Issue	Reason for Issue	Date

Approved Amendment Publication Date: 8 July 2002

Approved Amendment Effective Date: 1 August 2002

PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

Provide a brief description of the following:

- The reason for the proposed amendment and the impact the *IMO-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 *IMO-administered markets*.

It is proposed to permit transmission rights market participants to use a commercial letter of credit from a bank identified in any schedule to the federal Bank Act, S.C. 1991 as the participant's TR market deposit.

Amendments have been made to the federal Bank Act, S.C. 1991, c.46 since the *market rules* on *transmission rights* market deposits were prepared. These amendments allow foreign banks to operate through branches of the foreign bank rather than a Canadian subsidiary of the foreign bank. Such banks are identified in a new Schedule to the Act. The *IMO Board* recently approved a *market rule* amendment under MR-00191 to include such additional banks for *market participant prudential support* and banking arrangements for the real-time market.

It is appropriate to also permit TR participants to use letters of credit from these additional banks as a TR market deposit in order to be consistent with the real-time market.

PART 4 – PROPOSED AMENDMENT

4.8 Participation in TR Markets and Rules Applicable to TR Participants

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4.8.2A A *TR market deposit* shall be in one or both of the following forms:

- 4.8.2A.1 an irrevocable commercial letter of credit provided by a bank named in a Schedule to the *Bank Act*, S.C. 1991, c. 46; or
- 4.8.2A.2 a cash deposit made with the *IMO* by or on behalf of the *TR participant*.

PART 5 – IMO BOARD COMMENTS



Market Rule Amendment Proposal

PART 1 – MARKET RULE INFORMATION

Identification No.: MR-00196-R02		
Subject: Transmission Rights Market		
Title: Transmission Rights Market Contingency Plan and Clean-up – Correct Cross References		
Nature of proposal (please indicate with X on the right): Alteration X Deletion Addition		
Chapter: 8	Appendix:	
Sections: 4.13		
Sub-sections proposed for amending: 4.13.7; 4.13.8; 4.13.10		

PART 2 – PROPOSAL HISTORY (REFER TO MR-00196-R00)

Issue	Reason for Issue	Date

Approved Amendment Publication Date: 8 July 2002

Approved Amendment Effective Date: 1 August 2002

PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

Provide a brief description of the following:

- The reason for the proposed amendment and the impact the *IMO-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 *IMO-administered markets*.

It is proposed to correct market rules cross-references to the document where the transmission rights electronic information systems and communication protocols are described and specified.

Section 4.13 of Chapter 8 of the market rules contains a number of cross-references to Appendix 8.2 as the location where the transmission rights electronic information systems and communication protocols are described and specified. However, the electronic information systems and communication protocols are not described and specified in Appendix 8.2 but rather in Market Manual 4.4: Transmission Rights Auction (MDP_PRO_0029) and the Transmission Rights Auction System Participant Guide (IMO_GDE_0004). Both of these latter documents are published on the IMO public web site. Due to their technical and procedural nature, it is appropriate for the description and specification of the electronic information systems and communication protocols to be in these other documents rather than in the market rules.

The cross-references to Appendix 8.2 should be replaced by references to the applicable market manual.

PART 4 – PROPOSED AMENDMENT

4.13 TR Bids and TR Offers

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- 4.13.7 *TR bids* and *TR offers* shall be submitted to the *IMO* using the *electronic information system* and the communication protocol described in the applicable *market manual*.
- 4.13.8 The *IMO* shall:
- 4.13.8.1 stamp each *TR bid* and *TR offer* with the time that it was received by the *IMO*;
 - 4.13.8.2 confirm receipt of each *TR bid* and *TR offer* within the time specified in the applicable *market manual* using the communication protocol referred to in section 4.13.7; and
 - 4.13.8.3 *publish* and notify *TR participants* of alternative means of submitting and confirming receipt of *TR bids* and *TR offers* when the communication protocol referred to in section 4.13.7 is unavailable.
- 4.13.9 The *IMO* shall reject any *TR bid* or *TR offer* that does not comply with the rules set forth in this section 4.13 and shall provide the *TR participant* submitting a rejected *TR bid* or *TR offer* of the reasons for such rejection.
- 4.13.10 A *TR participant* that does not receive from the *IMO* confirmation of receipt of a *TR bid* or a *TR offer* in accordance with section 4.13.8.2 shall immediately contact the *IMO* by telephone, facsimile or other means specified in the applicable *market manual* seeking confirmation of receipt.

PART 5 – IMO BOARD COMMENTS



Market Rule Amendment Proposal

PART 1 – MARKET RULE INFORMATION

Identification No.: MR-00196-R03	
Subject: Transmission Rights Market	
Title: Transmission Rights Market Contingency Plan and Clean-up – Delete Appendix 8.2	
Nature of proposal (please indicate with X on the right): Alteration Deletion <input checked="" type="checkbox"/> Addition	
Chapter: 8	Appendix: 8.2
Sections:	
Sub-sections proposed for amending:	

PART 2 – PROPOSAL HISTORY (REFER TO MR-00196-R00)

Issue	Reason for Issue	Date

Approved Amendment Publication Date: 8 July 2002

Approved Amendment Effective Date: 1 August 2002

PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

Provide a brief description of the following:

- The reason for the proposed amendment and the impact the *IMO-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 *IMO-administered markets*.

Refer to MR-00196-R02.

Consequential to the removal of the cross-references to Appendix 8.2, as proposed in MR-00196-R02, it is proposed to delete Appendix 8.2.

PART 4 – PROPOSED AMENDMENT

Appendix 8.2

[Intentionally left blank]

PART 5 – IMO BOARD COMMENTS