



## 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@theIMO.com](mailto:Rule.Amendments@theIMO.com)

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 *IMO* 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 *IMO* 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

<b>Name: IMO staff</b>	
(if applicable) <i>Market Participant / Metering Service Provider No.</i> <sup>1</sup> :	<i>Market Participant Class:</i>
<b>Telephone: (416) 506-2801</b>	<b>Fax: (416) 506-2847</b>
<b>Email Address: rule.amendments@theimo.com</b>	

### PART 2 – MARKET RULE AMENDMENT SUBMISSION INFORMATION

<b>Subject: Transmission Rights Market</b>		
<b>Title: Management of Transmission Rights Clearing Account Minimum Reserve Level</b>		
<b>Nature of request (please indicate with X): ___Alteration___Deletion___Addition ___Clarification</b>		
<b>Chapter: 8</b>	<b>Appendix:</b>	<b>Sections: 4.18 &amp; 4.19</b>
<b>Sub-sections proposed for amending/clarifying :</b>		

<sup>1</sup> 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 *IMO-administered markets*. Include the Chapter and Section number of the relevant market rules.

At its meeting on July 3, 2003 the IMO Board directed IMO management to initiate the required rule amendments to implement the following recommendations regarding the transmission rights (TR) market:

- Establish the TR minimum reserve level of the TR clearing account at 10M\$, excluding deferred auction revenues;
- Maintain the confidence level as is for long-term transmission rights;
- Increase the volume of rights for monthly auctions in steps of 4%, at 3-month intervals, until the monthly settlement, net of auction revenues, becomes negative. If the account balance drops below the required reserve level, reduce the monthly volume of TRs in 4% steps at monthly intervals until the reserve level is restored.; and
- Assess, at quarterly intervals, the above procedure of increasing and decreasing the volume of monthly rights, with stakeholding at the Market Operations Standing Committee.

The IMO Board had not established a TR clearing account minimum reserve level prior to the above decision i.e. the de facto minimum reserve level was \$0.

The current market rules require the IMO to use short-term borrowings if the amounts payable to TR holders exceeds the funds available in the TR clearing account in excess of the minimum reserve level. That is, the IMO is not permitted to use the TR reserve prior to borrowing short-term funds.

However, increasing the volume of monthly transmission rights available increases the probability that the congestion rents and auction revenues collected will not be sufficient to cover the amounts owed to TR holders. Under the current market rules, this would mean an increased probability of the IMO having to use short-term borrowings to make payments to TR holders. The potential increased short-term borrowings would mean increased costs for all market participants.

With the IMO Board's recommended changes and their associated implications, a more fiscally prudent and cost-effective management of the TR clearing account would be to allow the IMO to use the TR reserve prior to borrowing short-term funds. This approach is expected to minimize costs to market participants as the reduced costs of borrowing would more than offset any loss of investment interest on the minimum reserve level amount.

### PART 4 – PROPOSAL (BY SUBMITTER)

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

It is suggested that the following changes be made to sections 4.18 and 4.19 of Chapter 8 of the market rules:

- Authorize the IMO to use the minimum reserve in the TR clearing account in order to make the necessary payments in the TR market. Short-term funds will be borrowed only after the TR clearing account is exhausted;
- Obligate the IMO, when it receives TR auction revenues or congestion rents in excess of its payment obligations, to first repay any outstanding TR short-term borrowings and then re-establish the minimum reserve level within the TR clearing account.

**PART 5 – FOR IMO USE ONLY**

<b>Technical Panel Decision on Rule Amendment Submission</b>	
<b>MR number: MR-00242-Q00</b>	
<b>Date submitted to Technical Panel:</b>	
<b>Accepted by Technical Panel as:</b> <input checked="" type="checkbox"/> <b>General</b> <input type="checkbox"/> <b>Urgent</b> <b>Minor</b> (please indicate with X)	<b>Date:</b> September 9, 2003
<b>Criteria for acceptance:</b> The amendment submission identifies ways to simplify the market and/or reduce participant or IMO costs.	
<b>Priority:</b> High	
<b>Criteria for assigning priority:</b> The development of the market rule amendments is high due to the pervasiveness of the impact of the issue.	
<b>Not accepted</b> (please indicate with X):	
<b>Clarification/interpretation required</b> (please indicate with X):	
<b>Technical Panel minutes reference:</b> IMOTP 130-1	
<b>Technical Panel Comments:</b> A Technical Panel member suggested, as an alternative to the existing rules and suggested amendments, that the market rules be revised to simply authorize the IMO Board to manage the Transmission Rights market, rather than have detailed rules regarding the management of the TR market. The Technical Panel also noted that increasing the volume of rights sold for monthly auctions reduces the likelihood of dispensing excess dollars to the transmission rights customers pursuant to section 4.18.2 of chapter 8 of the market rules and that this represents a change to the philosophy of the management of the Transmission Rights market.	