



**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](mailto: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>Powerex Corp</u>	
(if applicable) <i>Market Participant / Metering Service Provider</i> No. <sup>1</sup> : _____	<i>Market Participant Class</i> : <u>wholesaler</u>
Telephone: _____	Fax: _____
E-mail Address: _____	

**PART 2 – MARKET RULE AMENDMENT REFERENCE**

<b>Type of Rule Amendment Being Commented on</b> (please indicate with x):		
Amendment Submission	Proposed Rule Amendment	Recommended Rule Amendment
<b>MR Number:</b> <u>30038</u>		
This <i>Market Rule</i> number is located on the “Current Market Rule Amendment” web page.		
<b>Date Relevant Amendment Submission, Proposed or Recommended Rule Amendment Posted for Comment:</b> Jan 12, 2006 _____		

<sup>1</sup> 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.

In March 2005 the IESO's Market Assessment and Compliance Division (MACD) established a working group to advise on the effectiveness of the IESO's existing guidelines in reducing intertie transaction failures and to provide advice on revised guidelines. MACD was of the view that its enforcement guidelines – of the market rule provisions dealing with the component of transaction failures perceived as being within the control of market participants – were not effective and needed review. Reliability was identified as the primary goal driving enforcement, consistent with the initiatives recently announced by the IESO designed to improve reliability in preparation for summer, 2006, and in particular the day ahead commitment process.

The IESO proposal to no longer treat transaction failures as a compliance matter, except where there appears to be egregious behavior, is welcomed by Powerex. However, the IESO also concurrently plans to eradicate its existing guidelines. Powerex disagrees with this. As an active participant in the Ontario market, particularly in the Interjurisdictional markets, Powerex is very concerned over the direction MACD has taken with its recommendations and its interpretation of 'failures within the control of market participants'. Interjurisdictional transactions which fail due to economics or physical scheduling limitations such as ramp constraints in neighbouring regions reflect 'Seams Issues' (ie: different markets clearing at different times) and fundamental market design problems and should not be addressed with penalty's, but via Market Design reform.

It is understood that participants would not be held accountable for failures which occur for bona fide reasons. IMO-GDL-022 states, dealing with NY transactions in this instance, "One of the frequently encountered failures is rejection in the New York Independent System Operator's ("NYISO") Balancing Market Evaluation ("BME") on 'economic grounds'. While arbitrage between markets is encouraged, participants are expected to exercise due diligence and to make their best efforts to ensure that they are accepted in the NYISO market." If guidelines are eradicated, due diligence and best efforts become immaterial, as the participant would be penalized regardless. In particular, Powerex believes that now asking market participants to make a decision two hours in advance of dispatch and then holding market participants to financial impact charges when the economics in the neighboring jurisdiction change significantly is unreasonable.

Powerex especially takes exception to removal of guidelines for export failures. Reliability was identified as the primary goal driving enforcement. Certainly, export failures are a significantly lower reliability concern to the IESO than import failures. In addition, the day ahead commitment process is expected to provide increased price certainty to importers. Although such a mechanism will not be provided to exporters, they will be held to the same standard of success.

Concluding, Powerex supports the proposal to no longer treat interties failures as a compliance matter but Powerex disagrees fundamentally with the revocation of guidelines, and in particular with the revocation of guidelines for exporters. There may be an argument that it would be inconsistent to have a different process to evaluate export and import failures. We disagree, as import transactions will have the benefit of a day ahead commitment process which is not available to exporters. This distinction is significant enough to warrant different processes.

This approach taken by the IESO with respect to intertie transactions and it's determination of

**PART 3 – COMMENTS ON RULE AMENDMENT**

what is 'Bonafide and Legitimate' reasons for failure is not consistent with Powerex's experience in neighboring jurisdictions.

**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):

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

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