



## Market Rule Amendment Submission

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:</b> Tracy Leng, IMO Staff	
(if applicable) <i>Market Participant / Metering Service Provider No.</i> <sup>1</sup> :	<i>Market Participant Class:</i> Other
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### PART 2 – MARKET RULE AMENDMENT SUBMISSION INFORMATION

<b>Subject:</b> Administration
<b>Title:</b> Enforcement Actions Listing Amendments
<b>Nature of request (please indicate with X):</b> <input checked="" type="checkbox"/> <u>Alteration</u> <input type="checkbox"/> <u>Deletion</u> <input type="checkbox"/> <u>Addition</u> <input type="checkbox"/> <u>Clarification</u>
<b>Chapter:</b> 3 <b>Appendix:</b> 3.1 <b>Sections :</b> 6
<b>Sub-sections proposed for amending/clarifying :</b> 6.6.6, 6.6.2, 6.6.5, 6.6.6, 6.6.8, 6.6.12

<sup>1</sup> This field is restricted to a maximum of 12 characters and does not allow 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.

Currently the *Market Rules* prescribe that *market participant* non-compliant behaviour can be penalized in the following ways:

1. A letter of non-compliance as per Chapter 3, section 6.6.5
2. A fixed financial penalty as per Chapter 3, sections 6.6.6 and 6.6.12
3. A formula based financial penalty as per Chapter 3, sections 6.6.8, 6.6.10A and Appendix 3.1
4. A disconnection for reliability related breaches as per Chapter 4, section 6.4, 6.5 and Appendix 3.1
5. Other specified penalties for specific breaches, e.g. suspension/disconnection for breaches that also constitute events of default.

Based on the *IMO*'s experience to date, the *IMO* has determined that the requirements of section 6 of Chapter 3 are in some cases too rigid. Sections 6.6.2 and 6.6.12 require the *IMO* to impose a formal sanction – either a letter of non-compliance or a financial penalty – for every incident of non-compliance notwithstanding that the non-compliance may have been an isolated occurrence, inadvertent, of negligible impact, remedied immediately etc. In this regard, the *IMO* recommends that it not be required to impose a formal sanction for every incident of non-compliance and that it be given some additional flexibility in tailoring the sanction to meet the breach. This will result in fairer treatment of *market participants* and will reduce costs and promote more efficient use of the *IMO*'s enforcement and compliance resources.

The *IMO* has also identified several provisions in section 6.6 which are inconsistent with other parts of section 6.6 or which could benefit from being simplified.

The *IMO* recommends that the following issues be addressed by rule amendments:

1. On a daily basis, *IMO* control room staff is confronted with breaches by *market participants* – ie. failures to comply with dispatch instructions, to submit bids and offers etc. *IMO* control room staff have found that the large majority of these breaches are minor and inadvertent but do need to be and can be remedied quickly to keep the market operating and maintain system reliability. These breaches can be remedied quickly by contacting the *market participants* directly. If remedied quickly they have no negligible impact on the market. The *IMO* recommends that its control room staff be given reasonable discretion to address minor breaches in this fashion and that the *IMO* not be obligated to subject all such breaches to formal enforcement procedures. This will permit more efficient use of the *IMO*'s compliance and enforcement resources and will not require the *IMO* to formally sanction *market participants* in circumstances that may not warrant it.
2. Since market opening, the *IMO* has found that for some minor breaches issuing a simple letter notifying a *market participant* that it has breached a rule and warning that an official sanction may follow if the breach is not remedied or if it is repeated, has corrected non-compliant behaviour. The *IMO* recommends that in appropriate circumstances it be permitted to issue a warning letter in lieu of issuing a formal Notice of Alleged breach and imposing a sanction. The sort of breaches for which the *IMO* proposes it be permitted to issue a warning letter would be breaches of negligible

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impact, were remedied as soon as possible, were not recurrent (i.e. the *market participant* has no record of a similar breach), and appeared to be unintentional, etc. Again, this will permit more efficient use of the *IMO*'s compliance and enforcement resources and will give the *IMO* some flexibility in tailoring an appropriate response to the breach.

3. The *Market Rules* authorize the *IMO* to sanction most breaches by issuing a letter of non-compliance or a fixed based financial penalty. The *Market Rules*, however, do not permit the *IMO* to issue a letter of non-compliance for a breach for which a formula-based penalty may be assessed. To make the enforcement rules consistent and to give the *IMO* some added flexibility to make the penalty fit the breach, the *IMO* recommends that it also be permitted to issue a letter of non-compliance for breaches for which formula-based penalties may be assessed.
4. Appendix 3.1, "Application of Enforcement Actions", specifies a number of breaches for which the *IMO* is authorized to issue either a letter of non-compliance, a fixed financial penalty, or a formula-based penalty. Not all breaches and their applicable sanctions are specified in Appendix 3.1. In order to simplify the *Market Rules* and remove the need to update Appendix 3.1 as the *Market Rules* are amended over time, it is proposed that all breaches listed in Appendix 3.1 for which a letter of non-compliance and/or a fixed financial penalty is prescribed, be removed and this be replaced with a simple "basket clause" at the beginning of section 6.6. It is proposed that the basket clause simply state that for any breach for which a specific sanction is not prescribed by the *Market Rules*, the *IMO* may issue a letter of non-compliance and/or a financial penalty. Accordingly, only those breaches which attract specific penalties – ie. disconnection orders and formula based penalties – will remain in Appendix 3.1.

**PART 4 – PROPOSAL (BY SUBMITTER)**

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

The *IMO* proposes the following amendments to the *Market Rules*:

1. Provide *IMO* control room personnel with reasonable discretion to address and correct minor breaches of the *Market Rules* at an operational level in lieu of formal enforcement measures.
2. Provide the *IMO* with reasonable discretion to issue a warning letter to a *market participant* that notifies the *market participant* that it has breached the *Market Rules* and that a formal sanction may be issued if the non-compliant behaviour is not corrected or if it is repeated (in lieu of formal enforcement measures).
3. For breaches for which a formula-based penalty is prescribed, allow the *IMO* to issue either a letter of non-compliance or a letter of non-compliance and a formula-based penalty.
4. Delete all breaches from Appendix 3.1 for which a non-compliance letter or a fixed financial penalty is prescribed and replace with a provision at the outset of section 6.6 that authorizes the *IMO* to issue a letter of non-compliance or a letter of non-compliance and a financial penalty for any breach for which a specific sanction is not prescribed in the *Market Rules*.

**PART 5 – FOR *IMO* USE ONLY*****Technical Panel Decision on Rule Amendment Submission***

**MR number:** MR-00029-Q00

**Date submitted to *Technical Panel*:** July 16, 2002

**Accepted by *Technical Panel* as:**  **General** \_\_\_ **Urgent** \_\_\_ **Minor** **Date:** July 16, 2002  
(please indicate with X)

**Criteria for acceptance:**

- Identifies ambiguity or confusion within the rules that cause interpretation confusion and leads to poor coordination of implementation or to future disputes
- Identifies ways to simplify the market and/or reduce participant or *IMO* costs

**Priority:** High

**Criteria for assigning priority:**

- Pervasiveness of the problem: the extent to which an issue is adversely affecting a number of *market participants*, the extent of the adverse impact on the affected participants, and the likely duration of the problem (i.e., is it transitory, or will it persist).

**PART 5 – FOR *IMO* USE ONLY**

<b>Not accepted (please indicate with X):</b>
<b>Clarification/interpretation required (please indicate with X):</b>
<b><i>Technical Panel</i> minutes reference:</b> IMOTP 109-1
<b><i>Technical Panel</i> Comments:</b>  The <i>Technical Panel</i> decided this <i>amendment submission</i> warrants further consideration.  Since the issues raised and suggested changes could impact all market participants the <i>Technical Panel</i> is inviting <i>market participants</i> and stakeholders to make written submissions using the “Market Rule Amendment Written Submission Form”. Comments on the <i>amendment submission</i> should be sent to the <i>IMO</i> by August 7, 2002.