

# Determining Financially Binding Status of Day Ahead Import Transactions

For discussion purposes – Intertie Traders Meeting  
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IESO Skymark Board Room



- **For imports scheduled by the Day Ahead Commitment Process (DACP), financially binding status means:**
    - The trader has delivery obligations associated with the specific import transaction scheduled in the day-ahead
    - The trader faces financial consequences due to some form of market obligation that has been placed on the export in the adjacent jurisdiction
      - Financial consequences are other than those imposed by the day-ahead import failure charge
- and
- These financial obligations can be reasonably demonstrated to the IESO to exist in the day-ahead timeframe

- **What is the benefit of achieving financially binding status for imports scheduled in the DACP?**
  - **Allows such imports to be exempt from the IOG Offset process for implied wheel-through transactions**
    - **implied wheel-through transactions are exports that offset imports in real-time for a single market participant**
  - **Without this status, a market participant with exports that offset imports in real-time will not receive an IOG payment**
    - **for day-ahead imports, this is the larger of the DA IOG and RT IOG**
  - **There is no benefit for the day-ahead import to have financially binding status if there are no offsetting exports**

- **IESO proposes day-ahead checkout with a neighbouring jurisdiction's day ahead market as the criteria for determining financially binding status**
  - An export to Ontario that is scheduled in the MISO DAM or NYISO DAM and corresponds to the import scheduled in the IESO DACP Pre-Dispatch of Record will be deemed to have financially binding status
  - A non-zero quantity match based on NERC E-tag will be required to establish financially binding status
- **Transactions scheduled in a neighbour's DAM provides a verifiable market mechanism to determine financially binding status**
  - The majority of imports into Ontario come across the Michigan and New York interfaces

## ***Should there be other criteria considered for determining financially binding status?***

- **Bilateral contract obligations?**
  - Some bilateral contracts represent financially binding obligations for delivery existing in the day-ahead timeframe
- **Bilateral contract obligations is not proposed as a criterion to define financially binding status**
  - Using bilateral contracts could require the IESO to review contract terms; possible audit requirements, and a mechanism for the market participant to associate specific day-ahead imports with the contract
  - Use of bilateral contracts may be too burdensome to both the market participant and the IESO for the benefit provided

***Should there be other criteria considered for determining financially binding status?***

- **Purchase of firm transmission reservations?**
  - Firm transmission reservations represent a financial investment but does not represent an obligation for delivery in the day-ahead timeframe
- **Purchase of firm transmission reservations is not proposed as a criterion to define financially binding status**
  - Firm transmission reservation has no association with a specific import transaction and has no financial consequence if the import and corresponding export does not flow

**End of Slides**