



OCTOBER 26, 2020

Market Renewal Energy Project Implementation | Engagement Days

Jessica Tang – Manager, Energy Implementation

Anna Lafoyiannis – Supervisor, Energy Implementation

Disclaimer

This document provides an overview of certain draft amendments to the market rules and market manuals, proposed in connection with the Ontario Market Renewal Program (MRP). The content of the proposed amendments is subject to further revision and the overview contained herein is provided for information purposes only.

The information contained in this document shall not be relied upon as a basis for any commitment, expectation, interpretation and/or decision made by any market participant or other interested party.

The market rules and market manuals, applicable laws, and other related documents will govern the future market.

The IESO makes no representation or warranty, express or implied about the accuracy or completeness of the information contained herein.

Objective

- Provide an overview of the Implementation phase of work, including how market rules and market manuals will be batched for stakeholder review
- Summarize the market rules and market manuals changes associated with the Market Entry and Prudential Security batch
- Outline next steps for market rules and market manuals reviews

Market Renewal Energy Phasing

High-Level Design

- Three initiatives: Day-Ahead Market, Single Schedule Market, and Enhanced Real-Time Unit Commitment

Detailed Design

- Fourteen detailed design documents

Implementation

- Multiple work streams to implement the design (e.g. market rules and manuals, solution development, test planning and execution, market participant readiness)

Market Rules and Market Manuals



Market rules contain and describe the rights, authorities and obligations for market participants and the IESO

Example: Rule stating that a person who wishes to be authorized to participate in the IESO-administered markets must file a completed application for authorization to participate



Market manuals and procedures provide detailed descriptions for activities specified in the market rules

Example: Detailed procedural steps on how to initiate and complete a Request for Authorization

Market Rules and Market Manuals: Batches

Market Entry and Prudential Security

Market Power Mitigation

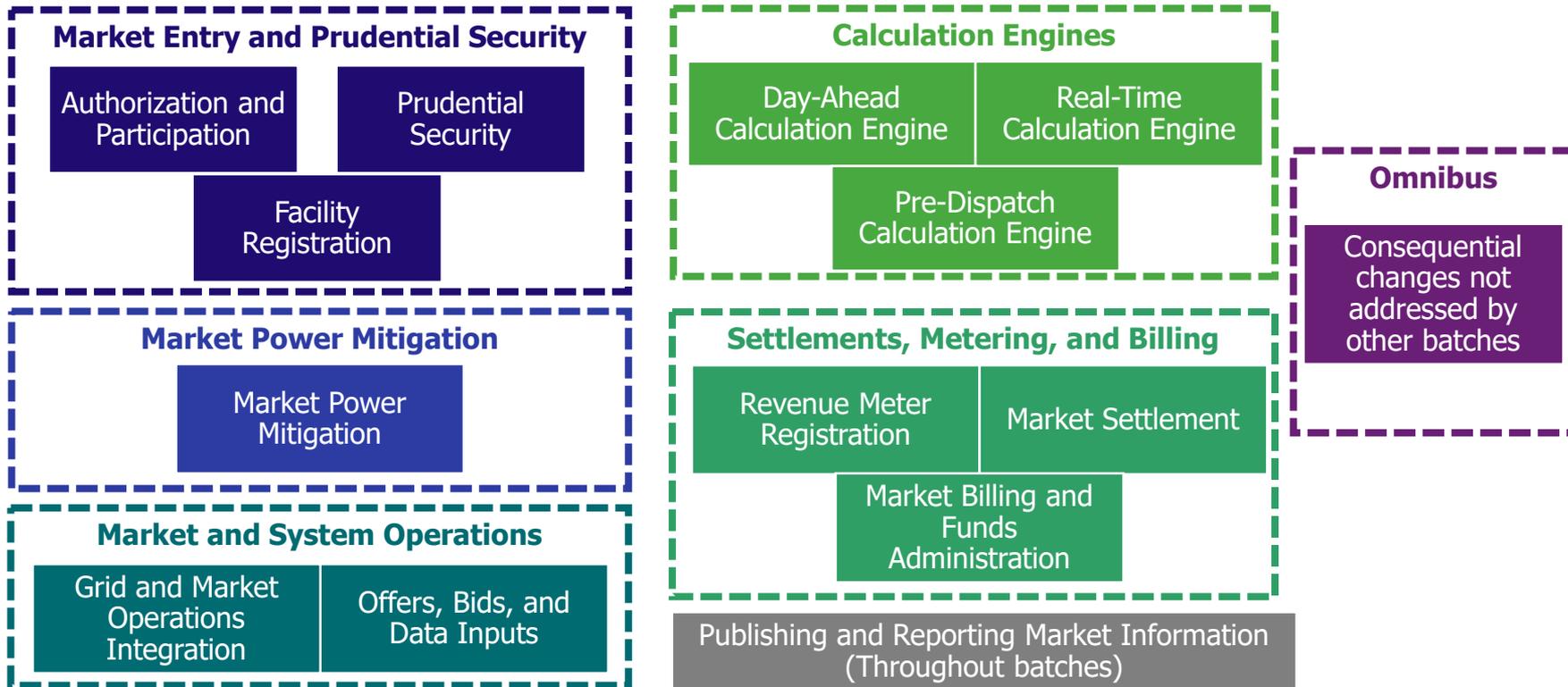
Market and System Operations

Settlements, Metering, and Billing

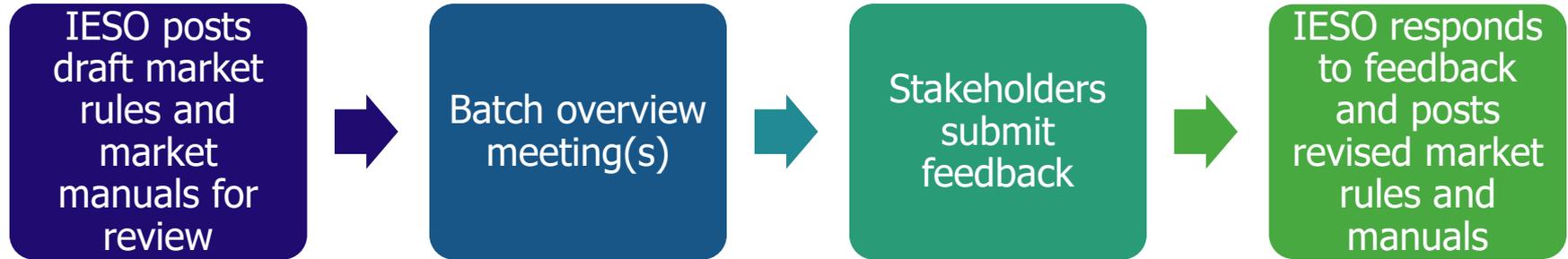
Calculation Engines

Omnibus

Market Rules and Market Manuals: Batch Mapping



Market Rules and Market Manuals: Review Process



Stakeholder feedback on the draft market rules and market manuals will be summarized and provided to the Technical Panel and IESO Board of Directors.



Market Entry and Prudential Security: Batch Review

Market Rules and Market Manuals

Impacted Market Rules and Manuals

Authorization and Participation

Describes the process and requirements for prospective market participants to become authorized to participate in the IESO-administered markets

Chapter 2 - Participation
Chapter 11 - Definitions
Market Manual 1.5 - Market Registration Procedures

Prudential Security

Describes the prudential support that is required to be authorized as a market participant, as well as the processes for daily monitoring of actual exposure

Chapter 2 – Participation
Chapter 2: Appendix 2.3 – Prudential Support
Chapter 11 – Definitions
Market Manual 5.4 – Prudential Support

Facility Registration

Describes the requirements for registering facilities and associated resources for IESO-administered markets

Chapter 7 - System Operations and Physical Markets
Chapter 11 - Definitions
Market Manual 1.5 - Market Registration Procedures

Authorization and Participation Changes

Chapter 11 - Definitions

Change Description	Definitions
Add new defined terms to describe authorization/participation types	energy trader, virtual trader
Add new defined terms to describe transaction types	physical transactions, virtual transactions
Amend defined terms	wholesale consumer, wholesale seller
Remove defined terms	financial market participant

Authorization and Participation Changes

Chapter 2 - Participation

Change Description	Market Rule Section(s)
Replace references to “financial market participant” with “TR participant” and/or “virtual participant”, as applicable	1.2.2.6, 2.1.1.7, 2.1.1.13, 2.1.1.14, 3.1.2.2
Expand the scope of the authorization provisions to include the day-ahead market	1.2.2.2, 1.2.4
Add virtual traders to the HST exemption list	1.2.2.6 and 3.1.2.2
Add a requirement for energy traders and virtual traders to submit market associate information as part of the authorization process	1.2.2.7

Authorization and Participation Changes

Market Manual 1.5 - Market Registration Procedures

Change Description	Market Manual Section(s)
Add virtual traders as a Market Participant Class	Table 2-3 in 2.2.2
Add and modify pre-requisite requirements when authorizing as a virtual trader or TR participant.	2.2.1
Improve alignment between classes of Market Participants and Authorization Types	2.2.2

Prudential Security Changes

Chapter 11 - Definitions

Change Description

Modify to supplement existing prudential definitions to make definitions more descriptive, and to incorporate day-ahead virtual transactions and consolidated monitoring (for market participants authorized to conduct both physical and virtual transactions)

Definitions

actual exposure, default protection amount, margin call, maximum daily trading limit, maximum net exposure, prudential support, trading limit, self-assessed trading limit, virtual transaction

Prudential Security Changes

Chapter 2 – Prudential Support

Change Description	Market Rule Section(s)
Specify which prudential market rule provisions are applicable to market participants based on their authorizations to participate in the IESO-administered markets	throughout 5
Amend the existing provisions on prudential support obligation calculations, monitoring of actual exposure, calculation of actual exposure, margin call requirements, obligation to provide prudential support, reductions in prudential support to specify their applicability to physical transactions, virtual transactions, or both in the day-ahead and real-time market	throughout 5

Prudential Security Changes

Chapter 2 – Prudential Support

Change Description	Market Rule Section(s)
Specify that prudential support is a condition for participation in either the real-time market or day-ahead market	5.1.1
Remove formal requirement for three-year review of Prudential Framework	5.1.2
Specify which sections apply to market participants conducting physical transactions, virtual transactions or both physical and virtual transactions; articulated section for capacity prudential support obligations	5.1.3 - 5.1.5

Prudential Security Changes

Chapter 2 – Prudential Support (Physical Transactions)

Change Description	Market Rule Section(s)
Allow one default levy to be issued regardless of whether it results from either physical transactions, virtual transactions or both	5.2.7A
Allow market participants to request changes to self assessed trading limit at any time	5.3.2, 5.3.3, 5.3.3A, 5.3.5, 5.3.6

Prudential Security Changes

Chapter 2 – Prudential Support (Physical Transactions)

Change Description	Market Rule Section(s)
Replace term “non-metered market participant” with energy trader or retailer. Replace term “metered market participant” with “market participant that is not an energy trader” to better align with authorization process	Throughout
Clarify how the IESO currently and will continue to determine the minimum trading limit for physical transaction	5.3.4.2 and 5.3.4.3
Specify that the price bases used for determining the minimum trading limit and default protection amount will be based on (i) locational marginal price or average Ontario zonal price, as appropriate, rather than the regulated price plan; and (ii) applicable OEB published prices	5.3.10A and 5.3.10C

Prudential Security Changes

Chapter 2 – Prudential Support (Physical Transactions)

Change Description

Market Rule Section(s)

Specify that no margin call option is not an option if the market participant is authorized to conduct both physical transactions and virtual transactions

5.6.7

Specify that energy traders will be ineligible for reductions associated with credit ratings until they reach three months of market activity

5.8.6.3

Create a new section for day-ahead virtual transactions by largely mirroring the physical transaction market rule provisions

5C

Specify calculation of participant trading limit (TL), default protection amount (DPA) and maximum net exposure (MNE = TL + DPA)

5C.1

Prudential Security Changes

Chapter 2 - Virtual Transactions

Change Description

Market Rule Section(s)

Obligate market participants to submit a maximum daily trading limit (MWh) 5C.1.2

Specify IESO determined price delta for determining TL and DPA 5C.1.9

Specify margin call warning and margin call requirements 5C.2 and 5C.4

Specify IESO ability to reject bids and offers based on two virtual screening methods; Specify calculation of actual exposure 5C.3

Specify prudential support must be satisfied by a letter of credit 5C.5.2

Specify reduction to virtual prudential support available to generators 5C.6.1

Prudential Security Changes

Chapter 2 - Prudential Support for Market Participants Authorized to Conduct Both Physical and Virtual Transactions

Change Description	Market Rule Section(s)
Create a new section for consolidated trading limit, actual exposure calculation, monitoring, and consolidated margin call requirements for participants authorized to conduct both physical and virtual transactions	5D
Specify that the consolidated trading limit is the sum of the trading limit for physical transactions and virtual transactions	5D.1
Specify that the consolidated actual exposure is the sum of the exposure for physical transactions and virtual transactions	5D.2.2
Specify that the IESO may issue a consolidated margin call and consequently reject bids and offers for virtual transactions	5D.3

Prudential Security Changes

Chapter 2 - Prudential Support

Change Description	Market Rule Section(s)
Incorporate consequential changes to the default levy provisions (i.e. expand for applicability to the day-ahead market – both physical and virtual transactions)	8
Incorporate consequential changes to Appendix 2.3 – Prudential Support	Appendix 2.3

Prudential Security Changes

Market Manual 5.4 - Prudential Support

Change Description	Market Manual Section(s)
<p>Structurally reorganized to:</p> <ul style="list-style-type: none">• provide a more process-oriented document outlining steps that market participants are required to complete to satisfy prudential support requirements;• improve transparency of the prudential support processes and calculations; and• move some content that is currently in the Guide to Prudentials into Market Manual 5.4	Throughout

Note: Sections 2 and 3 cover prudential support for physical transactions, Sections 4 and 5 cover virtual transactions

Prudential Security Changes

Market Manual 5.4 - Prudential Support

Change Description

Market Manual Section(s)

Setting Prudential Support Obligations and Daily Monitoring for Physical Transactions

2-3

- The proposed reduction applicable to energy traders will not be required as the existing methodology for calculating the PSO already allows energy traders that achieve net creditor status to reduce their PSO in situations where the proposed reduction would apply

Setting Prudential Support Obligations for Virtual Transactions

4

- Interim price delta based on shadow prices from the current day-ahead commitment process and the real-time market (similar for monitoring actual exposure)
- The ability for a generator to use credit based on physical transactions to offset its virtual transaction PSO will be considered a reduction rather than a form of prudential support

Prudential Security Changes

Market Manual 5.4 - Prudential Support

Change Description	Market Manual Section(s)
Daily Monitoring of Prudential Support for Virtual Transactions	5
Consolidated Process for Monitoring Physical Transactions and Virtual Transactions, Event of Default, and Capacity Prudential Requirements	6-8
Prudential Security Reports <ul style="list-style-type: none">The information related to the two physical transactions reports will be accessible through Online IESOThe two virtual reports will be available on the IESO Reports page	9

Prudential Security Changes

Forms

Change Description	Form
All relevant forms were reviewed and will be updated to remain consistent with the proposed changes to the market rules and market manuals	Prudential Guarantee (IMP_GRNT_0001)
	Pledge of Cash and Treasury Bill Agreement (IMO_AGR_0013)
	List of Schedule Banks to the Bank Act (IMO_LST_0001)
	Prudential Affidavit (IMO_AFF_0001)

Facility Registration Changes

Chapter 11 - Definitions

Change Description	Definitions
Add new defined terms to establish or clarify association with the proper hierarchy of nomenclature	boundary entity resource, generation resource, load, load resource, resource
Amend defined terms to establish or clarify association with the proper hierarchy of nomenclature (e.g. a facility, a resource, generation unit), aligning with new definition of "resource"	boundary entity, dispatch, dispatch instruction, dispatchable load, facility, forbidden region, generation facility, generation unit, minimum generation block run-time, minimum loading point, minimum trading limit, non-dispatchable load, period of steady operation, pseudo-unit, registered market participant, reliability must-run
Delete defined term	registered facility

Facility Registration Changes

Chapter 11 - Definitions

Change Description	Definitions
Modify to include the day-ahead market	bid, day-ahead market, day-ahead schedule, dispatch data
Add new defined terms to describe registration parameters that also impact dispatch data submission	hourly must run, shared daily energy limits, start indication value, time lag
Create new type of load resource that must register to participate in the IESO-Administered Market	price responsive load

Facility Registration Changes

Chapter 7 - System Operations and Physical Markets

Change Description	Market Rule Section(s)
Expand the scope of the registration provisions to include the day-ahead market	2.2.6F, 2.3.1
Consequential changes to new defined terms, particularly the term “resource”	Throughout 2
Clarify that aggregation occurs at the “generation unit” or “load” level	2.3
Specify the IESO’s right to reject registration information submitted if resource-specific information submitted by a market participant does not conform to the technical capabilities of the resources	2.2.3C

Facility Registration Changes

Chapter 7 - System Operations and Physical Markets

Change Description	Market Rule Section(s)
Add optional and mandatory registration parameters for resources associated with hydroelectric generation facilities, non quick-start generation facilities, and combined cycle generation facilities	2.2.6A, 2.2.6G, 2.2.6H
Delete sections discussing daily dispatch data and eligibility for generation cost guarantees/production cost guarantees. Dispatch data and day ahead market related content will be incorporated in a future MRP batch	2.2.6J, 2.2B, 2.2C
Add timing requirements for load resources requesting a change to either a dispatchable load, non-dispatchable load, or price responsive load	2.2.25

Facility Registration Changes

Market Manual 1.5 - Market Registration Procedures

Change Description	Market Manual Section(s)
Expand the scope of the registration provisions to include the day-ahead market	Throughout
Update order of registration parameters and remove references to day ahead commitment process	3
Add new and modify existing registration parameters (e.g., GOG Status, Hourly Must Run, etc.)	3.3 - 3.5
Include price responsive loads in day-ahead market	3.5
Add registration requirements for a wholesale consumer to participate as a price responsive load	4.2.2

Next Steps

- **November 9:** Deadline for stakeholder feedback on the Market Entry and Prudential Security batch of market rules and manuals
 - Contact engagement@ieso.ca if you have questions leading to up the deadline
- **Early December:** IESO to post feedback responses and revised market rules and manuals

Thank You

ieso.ca

1.888.448.7777

customer.relations@ieso.ca

engagement@ieso.ca



[@IESO Tweets](https://twitter.com/IESO)



facebook.com/OntarioIESO



linkedin.com/company/IESO