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Proposed Settlement Statements Recalculations Process

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Today's Purpose

- Inform on the proposed Settlement Statement Recalculation Process
 - Seek feedback on the overall approach

Today's Purpose (cont'd)

- Review Next Steps:
 - Stakeholders asked to provide feedback on the proposed changes
 - IESO to review and respond to stakeholder feedback
 - IESO to work with sector participants, i.e. Ministry of Energy, Northern Development and Mines (ENDM), and the Ontario Energy Board (OEB) on implementation

Summary

- IESO is modifying its settlement statements recalculation process with the following objectives:
 - Provide more transparency for market participant
 - Make timelines more practical for submitting data and resolving settlement statement disagreements
 - Improve IESO processes, and processing times

Summary (cont'd)

- This work is being undertaken as part of the IESO's Replacement of the Settlement System (RSS) project

RSS Project Background

- The RSS project is a strategic priority for the IESO that will sustain and integrate IESO's settlements services by:
 - Addressing technical limitations with the existing settlement solution
 - Enabling the new settlement design requirements to settle the changes as a result of the **Market Renewal Program** ("MRP")
 - Addressing settlement statement disagreements transparently and efficiently

RSS Project Background (cont'd)

- Out of Scope:
 - Changes to systems which are upstream or downstream of the Settlement System including changes to content or cadence of preliminary settlement statements (PSS), final settlement statements (FSS), and monthly invoices

RSS Project Background (cont'd)

- Status of RSS:
 - Currently in software development phase with Go-Live scheduled for **March 2023** (aligned with MRP implementation)
 - Proposed Settlement Statement Recalculation Process design to be completed by Q4 2020 for software development

Current Settlement Disagreement Process

- Chapter 9 of the market rules establishes the process and time limits to issue and contest PSS and FSS

Current Settlement Disagreement Process (cont'd)

- Sections 6.3.10, 6.6.1 and 6.6.2 provide that disagreements with a settlement amount on a PSS may be reported to the IESO through a notice of disagreement (NOD) within four business days of issuance of PSS, i.e., before the charges are calculated as final

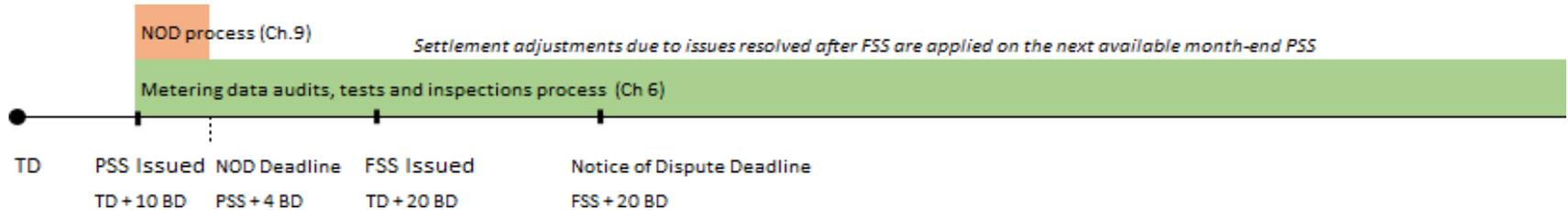
Current Settlement Disagreement Process (cont'd)

- Disputes of FSS are subject to the general dispute resolution procedures in section 6.7.7, (within 20 business days of the FSS). If a disagreement is not reported during the NOD window, the market participant can be time-barred from pursuing the matter further

Current Settlement Disagreement Process (cont'd)

- Chapter 6 of the market rules also includes provisions in Section 10.4 to address errors found as a result of metering tests, inspections, or audits that may result in an error on a settlement statement
 - In these cases, identification of these errors extend beyond the NOD window

Issues with Current Process



- Limited notice of disagreement (NOD) process scope
- Limited metering audit provisions
- Open-ended recalculation period
- Absence of settlement restatement provisions after FSS (post-final adjustments applied to unrelated PSS)

Proposed Modifications – Design Principles

- **Efficiency** Enhancements to improve customer experience and reduce administrative time/cost for market participants and the IESO
- **Transparency** Ensure guidelines are clearly outlined and available to market participants to enable accurate and timely settlements
- **Certainty** Wherever reasonable, establish boundaries around claim submissions and settlement recalculations

Proposed Modifications – Design Principles (cont'd)

- **Alignment** Provide a flexible, rule-based settlement platform that meets the market's current and future needs
- **Implementability** Changes are feasible, practical and supported

Proposed Modifications

- Establish a settlement issues resolution process beyond the current NOD and metering issues process scope
- Expand NOD scope to recognize different settlement statement adjustment issues
- Introduce limitation periods for disagreements for each type of issue
- Establish a final recalculation date two years after a trade date for settlement charge recalculations (i.e. over and under payments)

Proposed Modifications (cont'd)

- Some exemptions of the two-year recalculation period include:
 - IESO compliance investigations and enforcement actions
 - Applicable contracts where terms provide for longer dispute periods
 - Legal disputes

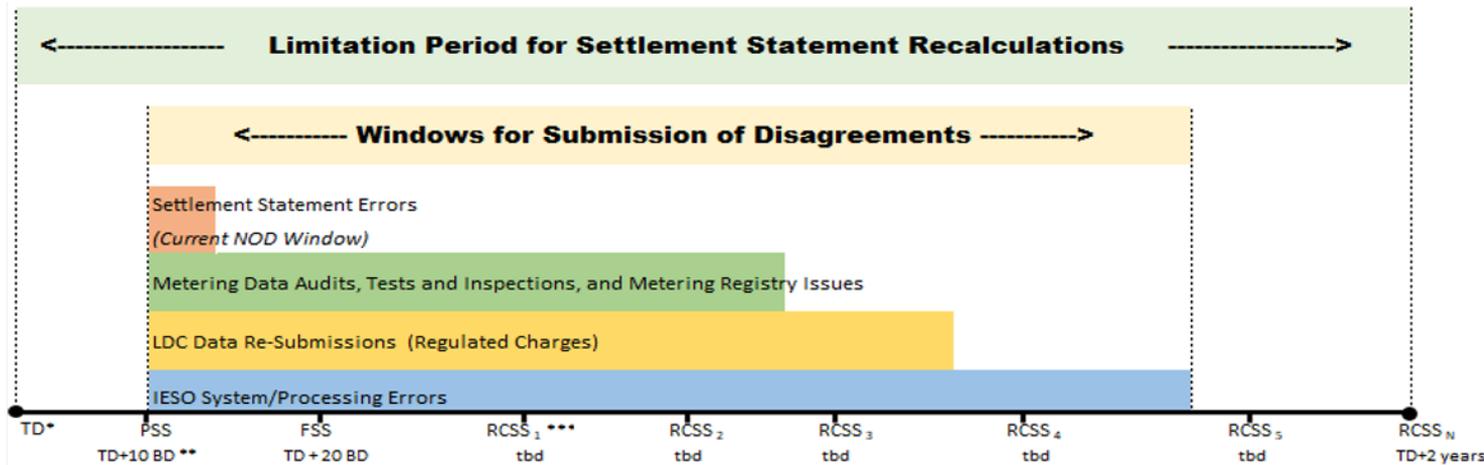
Proposed Modifications (cont'd)

- New settlement statements between FSS and the end of the limitation period to restate trade date original charges and related recalculations
- New statements will in effect be “post-final settlement statements”
- Today, when a NOD is processed after the FSS, the adjustment (debit or credit) is applied to a PSS for a subsequent trade date

Proposed Modifications (cont'd)

- Combination of current and prior trade date transactions in one settlement statement reduces the ability to trace adjustments
- The new settlement statements will clearly show the adjusted transactions for the trade date in question

Proposed Design



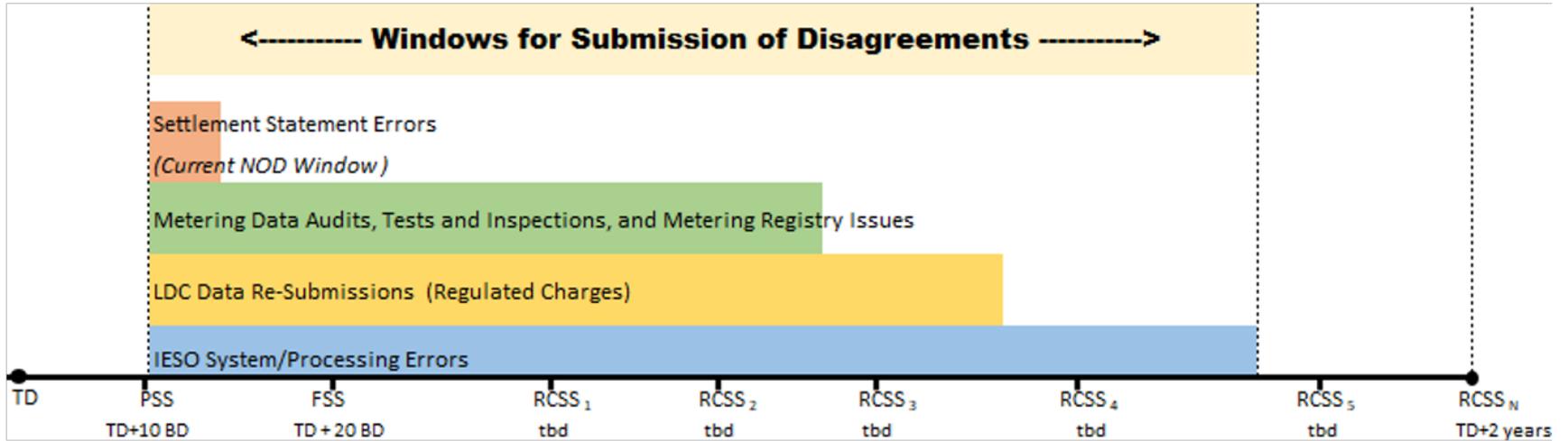
- For NODs resolved prior to FSS, the Notice of Dispute deadline continues to be 20 BD after issuance of FSS
- For NODs resolved after FSS, the Notice of dispute deadline is 20 BD after issuance of the applicable RCSS
- For recalculated charges applied on a RCSS for the first time, a NOD can be filed if the applicable disagreement window is still open for the TD
- RCSS charges are settled on the next applicable Monthly Invoice as per Settlement Statement Physical Calendar

* Trade date (TD)

** Business day (BD)

*** Recalculation Settlement Statement (RCSS)

Proposed Design Objectives



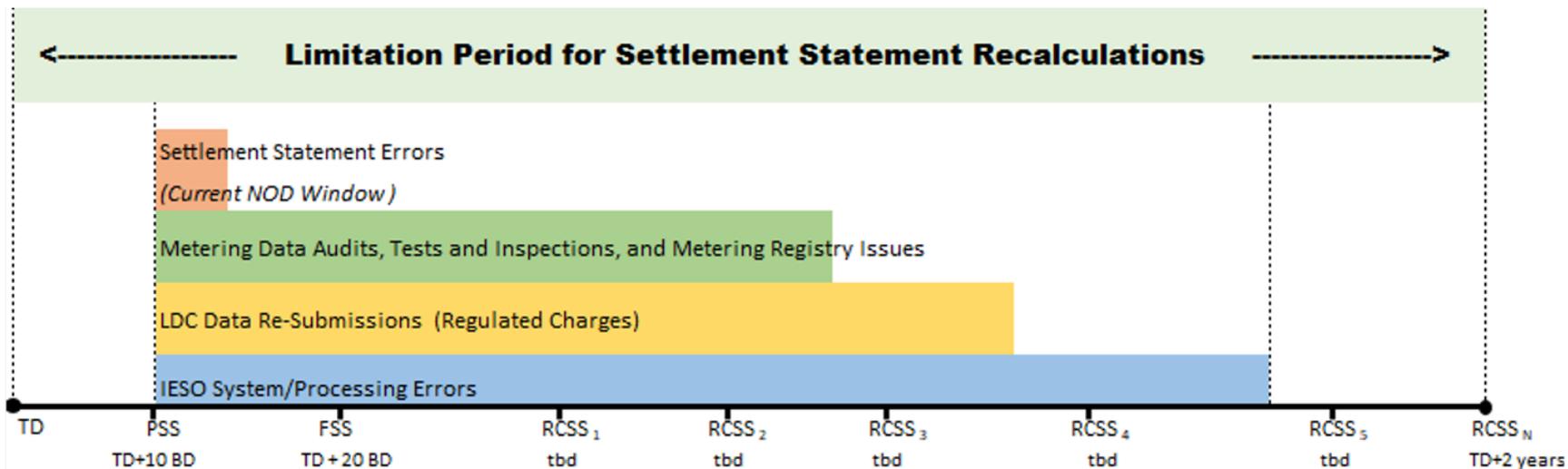
Proposed Design Objectives (cont'd)

- Establish settlement statements issues resolution process beyond the current NOD and Metering issues process scope
- Continue with 4-business day window (feedback encouraged)
- Metering data issues process to include non-normal power switching conditions

Proposed Design Objectives (cont'd)

- Data submissions issues process to include data resubmissions (e.g. embedded generation data from LDCs)
- Add process for IESO system or processing errors
- Introduce provisions to exempt certain settlement attributes from being recalculated (e.g. monthly peaks for transmission charges)

Proposed Design Objectives (cont'd)



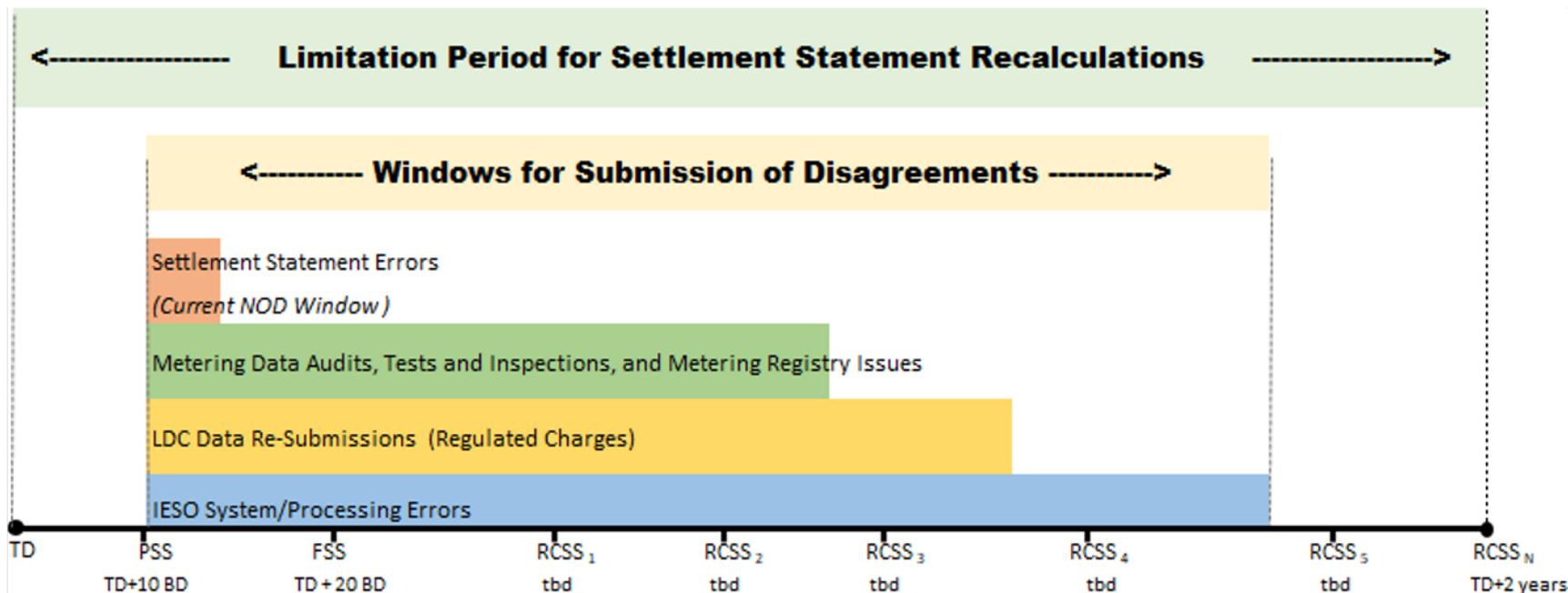
Proposed Design Objectives (cont'd)

- Introduce a limitation period for settlement statement recalculations
 - Introduce finality for claims and resettlements (retroactive two years)

Proposed Design Objectives (cont'd)

- Add exclusions/exception provisions for:
 - IESO compliance investigations and enforcement actions
 - IESO Contracts other than Participation Agreement/Market Rules
 - Legal Disputes outside the scope of these provisions

Proposed Design Objectives (cont'd)



Proposed Design Objectives (cont'd)

- Establish settlement restatement provisions
 - Introduce two types of recalculated settlement statements (RCSS) between FSS and the trade date's limitation period:
 - Trade Date RCSS: trade date-specific, scheduled as per Settlement Statement Physical Calendar
 - Period RCSS: multiple trade days recalculated in a single run. Each trade date will have its own RCSS, all issued the same day. Designed to manage metering type issues or any issue longer than 90 day impact

Changes to Regulations

- Changes to existing Regulations may be required in order to reflect alignment with the recommended 2-year limitation period
- The IESO will work with the Ministry to:
 - Identify applicable Regulations that may need to change
 - Provide assistance whether individual Regulations are updated or a general limitation in the settlements Regulation is determined for all settlements

Changes to IESO Market Rules

- Changes to IESO Market Rules changes will also be required
- The IESO will identify potentially impacted support processes (e.g. metering data audits, tests and inspections process timelines)
- Changes to the Market Rules will be reviewed and facilitated by the Technical Panel with proposed rule amendments approved by the IESO Board of Directors

Next Steps

- **October 20, 2020:** Stakeholder feedback due on today's materials and discussion
- **Late November 2020:** IESO to publish draft detailed design document that incorporates stakeholder feedback by October 20

Next Steps (cont'd)

- **Next Year (2021):** Updates to the IESO Market Rules will be required to enable the changes for go-live of the Proposed Settlement Statements Recalculations Process. The review of these proposed rule amendments will be aligned with the applicable MRP draft rules to ensure alignment between the two projects.



Appendix

Legal Authority

- Pursuant to the IESO's rule-making authority under section 32 of the Electricity Act, 1998, the IESO has the authority to make market rules and develop associated processes related to its settlement of the market, including to address alleged errors or deficiencies in the IESO's settlement or market processes and systems

Legal Authority (cont'd)

- An exemption is proposed for IESO enforcement actions; and generation, transmission or other contracts outside of the participation agreement/Market Rules that may have a different limitation period for claims

Measurement Canada

- As per the Electricity and Gas Inspection Act, Measurement Canada (MC) has an obligation to conduct a measurement dispute investigation (if requested) which is limited to the performance, condition and registration of a meter and/or meter installation

Measurement Canada (cont'd)

- MC's mandate under the Act limits its investigation to the accuracy of electricity meters and to the quantity of electricity declared to have been delivered as established through the meter registrations, and does not include the use of estimation practices or errors found during the review of billing that are not specific to the declared measurement values

Measurement Canada (cont'd)

- Upon completion of a dispute investigation, MC will issue a 'Certificate of Measurement Dispute Investigation Findings'. This is the equivalent of MDM's metering installation Level 3 & 4 audits conducted when the IESO suspects a registration error of an IESO wholesale meter

Measurement Canada (cont'd)

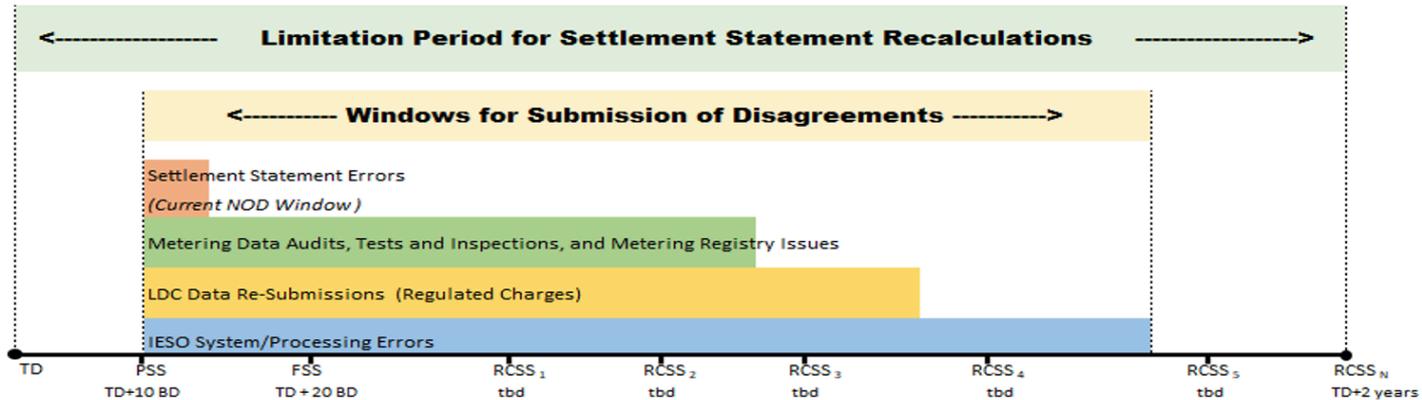
- MC does not order or arbitrate a settlement of any inequities resulting from a measurement dispute investigation and as a result, the Settlement Statement Recalculation process is outside of Measurement Canada's mandate

Current Process vs. Proposed Design

Current



Proposed



Thank you

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