Market Rule Amendment Proposal Form

Part 1 - Market Rule Information

Identification No.:	MR-00500-R00 – Urgent Market Rule Amendment
Subject:	Reliability Contract Uplift
Title:	Reliability Contract Uplift
Nature of Proposal:	☒ Alteration ☐ Deletion ☒ Addition
Chapter:	9
Appendix:	
Sections:	4.2A (new)
Sub-sections proposed for amending:	4.2A.1 (new)
Current Market Rules Baseline:	

Part 2 - Proposal History

Version	Reason for Issuing	Version Date
1.0	Submit for IESO Board Approval	Oct 30, 2026
2.0	Approved by the IESO Board	Oct 30, 2026

Approved Amendment Publication Date: October 30, 2025

Approved Amendment Effective Date: October 30, 2025

Part 3 - Explanation for Proposed Amendment

Provide a brief description that includes some or all of the following points:

- The reason for the proposed amendment and the impact on the *IESO-administered markets* if the amendment is not made.
- Alternative solutions considered.
- The proposed amendment, how the amendment addresses the above reason and impact of the proposed amendment on the *IESO-administered markets*.

Summary

The IESO proposes to amend the market rules to add a new uplift charge to recover the costs associated with the acquisition of capacity to support reliability in the exercise of the IESO's authority under the Electricity Act, and sections 2.3.2 and 2.4.2 of Chapter 5 of the market rules.

This rule amendment is considered to be urgent as it meets the following reason under section 34(1) of the *Electricity Act, 1998*: "to avoid, reduce the risk of or mitigate the effects of conditions that affect the ability of the integrated power system to function normally."

Background

Maintenance needs across the generating fleet have required the IESO to take steps to secure additional short-term capacity to allow for required infrastructure maintenance to proceed and to ensure the IESO-controlled grid remains reliable through the winter 2026/27 period and through 2027 as demand grows.

Despite taking available actions, including the rescheduling of planned outages and counting on non-firm imports, the IESO's assessment is that there remains an adequacy shortfall in the Winter 26/27 and through 2027 such that there is a reasonable likelihood that such conditions will lead to a high-risk operating state or an emergency operating state. In the event of an emergency operating state the IESO would likely have to take emergency control actions including load shedding to maintain reliability.

The IESO has identified an immediate need to secure available capacity through bi-lateral contracts with one or more resources to address the short-term global adequacy shortfall and avoid the risk of high-risk or emergency operating states.

Discussion

Section 1.2.1 of Ch 5 of the market rules outlines the paramount importance of the IESO's maintenance of the reliability of the IESO-controlled grid. Specifically, it provides that "the maintenance of a reliable IESO-controlled grid shall be considered of paramount importance under these market rules, and the IESO shall have authority to intervene in the IESO-administered markets to the extent necessary to maintain the reliability of the IESO-controlled grid."

In other specific circumstances the market rules authorize the IESO to take specific actions to maintain reliability and provide associated cost recovery uplift for such actions. For example, the market rules authorize the entering into of reliability must-run contracts to address localized

issues and provides an associated uplift of the resulting costs. Further, the market rules authorize the IESO to purchase emergency energy from a neighbouring jurisdiction during an emergency operating state and provide for an associated uplift of the resulting costs.

The market rules authorize and require the IESO more broadly to take necessary actions to ensure reliability. Specifically, sections 2.3.2 and 2.4.2 of Chapter 5 provide that the IESO shall not refrain from taking any action where refraining from taking such action will, in the opinion of the IESO, result in either a high-risk operating state or an emergency operating state. However, unlike the more specific authorizing provisions referred to above, these provisions are not supported by an existing uplift mechanism to recover costs associated with such actions.

This proposed amendment creates such an uplift charge for the IESO to recover the costs associated with actions taken in order to maintain the reliability of the IESO-controlled grid in exercising its authority under sections 2.3.2 and 2.4.2 of Chapter 5. The proposed uplift would disburse such costs on a volumetric basis, which is the same allocation methodology utilized for uplifting other reliability costs.

This market rule amendment is proceeding as an urgent market rule amendment because entering into one or more capacity agreements is immediately necessary to mitigate circumstances that will affect the ability of the integrated power system to function normally, and the IESO requires the ability to uplift such costs in connection with entering into such agreements. The normal market rule amendment process cannot be completed prior to the commencement of the contract.

Following the implementation of this urgent market rule amendment, the IESO intends to undertake a project, utilizing the regular market rule amendment process, to develop a mechanism to procure incremental capacity when reliability and global adequacy needs arise, including through an enhancement to the capacity auction to procure incremental capacity between auction cycles. As part of the engagement for that initiative, the IESO will consider whether the uplift that is the subject of this urgent market rule amendment proposal needs to be maintained, or altered, in light of the new mechanism ultimately implemented.

Part 4 - Proposed Amendment

Chapter 9

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4 Non-Hourly Settlement Amounts

4.1 Transmission Tariff Charges

4.1.1 The *IESO* shall collect from *transmission customers*, and distribute to *transmitters*, *transmission services charges* approved by the *OEB* in accordance with MR Ch.10.

4.2 Ancillary Service Payments

4.2.1 The *IESO* shall have the authority to negotiate *reliability must-run contracts* with *registered market participants* or prospective *registered market participants* regarding the operation of *reliability must-run resources* in accordance with MR Ch.7 s.9. Where such *reliability must-run contracts* provide both for payments from the *energy market* and *operating reserve market* pursuant to section 3 and additional payments for making *physical services*, other than *contracted ancillary services*, available to those markets, any such additional payments required to be made in a given *energy market billing period* shall be recovered from *market participants* through a uniform charge, in $/MWh, imposed on a pro-rata basis across all allocated quantities of *energy* withdrawn at all *registered wholesale meters* and across all scheduled quantities of *energy* withdrawn at all *intertie metering points* during all *metering intervals* and *settlement hours* within that *energy market billing period*.

4.2A Reliability Contract Uplift

4.2A.1 In exercising its authority under MR Ch.5 ss.2.3.2 and 2.4.2, the *IESO* may enter into contracts with *registered market participants* or prospective *registered market participants* regarding the operation of *resources* to support the reliable operation of the *IESO-controlled grid*. Where such contracts provide for payments for making *physical services*, other than *contracted ancillary services*, available to the *energy market* and *operating reserve market* or other payments intended to maintain the reliable operation of the *IESO-controlled grid* that are not otherwise compensated through the *IESO-administered markets*, any such payments required to be made in a given *energy market billing period* shall be recovered from *market participants* through a uniform charge, in $/MWh, imposed on a pro-rata basis across all allocated quantities of *energy* withdrawn at all *registered wholesale meters* and across all scheduled quantities of *energy* withdrawn at all *intertie metering points* during all *metering intervals* and *settlement hours* within that *energy market billing period.*
