



Market Rule Amendment Proposal

PART 1 – MARKET RULE INFORMATION

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| Identification No.: | MR-00319-R00 | | |
| Subject: | Real-Time Intertie Transaction Failure Charges | | |
| Title: | Interim Reporting of Real-Time Intertie Transaction Failure Charges on Preliminary Settlement Statements | | |
| Nature of Proposal: | <input checked="" type="checkbox"/> Alteration | <input type="checkbox"/> Deletion | <input type="checkbox"/> Addition |
| Chapter: | 9 | Appendix: | |
| Sections: | 3.8C | | |
| Sub-sections proposed for amending: | 3.8C.9 | | |

PART 2 – PROPOSAL HISTORY

| Version | Reason for Issuing | Version Date |
|--------------------------------------|--|----------------|
| 1.0 | Submit for Technical Panel Review | April 18, 2006 |
| 2.0 | Publish for Stakeholder Review and Comment | April 19, 2006 |
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| Approved Amendment Publication Date: | | |
| Approved Amendment Effective Date: | | |

PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

Provide a brief description of the following:

- 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

This amendment proposes that until the IESO has the software capability to include real-time inertie transaction failure charges in the daily preliminary settlement statements, the IESO would include these charges in the preliminary settlement statement issued for the last trading day of a billing period

This amendment is needed so that the real-time inertie failure charge can be implemented at the same time as the day-ahead inertie failure charge associated with the Day-Ahead Commitment Process (DACP). The concurrent implementation of these inertie transaction failure charges is expected to improve the effectiveness of the DACP in maintaining reliable operation of the IESO-controlled grid.

Background

The market rules require that hourly settlement amounts such as the real-time inertie transaction failure charge be included on daily preliminary settlement statements as hourly settlement amounts for the trading day in which they occur.

Presently there is some likelihood that the software tools to implement real-time inertie transaction failure charges on a daily basis will not be available until about one month after the implementation date of the Day-Ahead Commitment Process (DACP). The IESO is authorized, under the recently approved MR-00308 amendment proposal, to recover and distribute the real-time inertie transaction failure charge as a non-hourly settlement amount. The IESO intends to use a manual process to calculate, recover and distribute these charges as a non-hourly settlement amount on a monthly basis until the daily software capability is developed. This monthly recovery and distribution, however, does not relieve the IESO of the obligation to report real-time inertie transaction failure charges on the daily settlement statements for the trading days to which the charges relate. Therefore, the IESO cannot implement the real-time inertie transaction failure charge under the current market rules unless it has the software capability to report the charges on the daily preliminary settlement statements. This would mean that the DACP would be in place, with its day-ahead inertie transaction failure charge, for some period of time while there would be no real-time inertie transaction failure charge.

The IESO is concerned that the DACP may not be effective if the real-time inertie transaction failure charge rule is not implemented at the same time. Specifically, the IESO is concerned that without real-time inertie transaction failure charges, there will be an incentive for inertie traders to avoid the DACP and the risk of incurring the day-ahead inertie failure charge, and choose instead to transact only in the real-time market.

Discussion

For the interim period that the IESO may not have the software capability to include real-time inertie transaction failure charges on preliminary settlement statements in a manner consistent with the market rule requirements for hourly settlement amounts, the IESO proposes to include them in the preliminary settlement statement for the last trading day of the month. That is, the hourly amounts for the entire month would be included on the month end settlement statement. See the proposed new section

PART 5 – IESO BOARD DECISION RATIONALE

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