MARKET RULES AND ROLE OF THE IESO

Board of Directors Orientation
April 2017

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IESO Engagement Framework

Process Continuum

- **Pre-Consult** Discussions with SAC and stakeholders via working groups and committees, one-on-one interviews, information sessions
- **Launch Engagement**
- **SAC - Follow up** Present how the IESO considered and responded to feedback during SE initiative
- **Technical Panel - if market rule amendments are required**
- **IESO Board - if review or approval is required**
- **SAC Final Report** Present how stakeholder feedback throughout the engagement shaped the outcome - close SE if applicable

IESO Engagement Principles - http://www.ieso.ca/sector-participants/engagement-initiatives/overview/engagement-principles

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Technical Panel Review to Align with IESO Engagement Framework

- In 2014, IESO Board requested a review of the Technical Panel (TP) and the Market Rule Amendment (MRA) process in response to stakeholder feedback

- Purpose of the review was to assess:
  1. The TP's role within the IESO's Engagement Framework and how the TP should interact within that Process
  2. The TP's role, in relation to the MRA Process, and how it can be better aligned with the SE Process

Technical Panel Review

- The Review determined that the TP process was still needed in order to have a stakeholder body tasked with the technical review of market rules
- At a high level, the recommendations touched on the following areas:
  - TP members should be more actively involved within the stakeholder engagement initiatives that will help inform members of those discussions – particularly those that may lead to rule amendments affecting constituencies they represent;
  - More emphasis on the rationale behind the member's vote on market rule amendments;
  - Proposed changes to composition of the Technical Panel
- Feedback on a proposed terms of reference was received from members of the Stakeholder Advisory Committee, TP and through broader engagement
- IESO Board proposed changes to the Governance & Structure By-Law to the Minister of Energy to effect the implementation of a new terms of reference
- The Terms of Reference came into effect in November 2016 - http://www.ieso.ca/-/media/files/ieso/document-library/tp/technical-panel-terms-of-reference.pdf?la=en

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New Terms of Reference - Clarify Duties of the Panel

- Review and provide advice on proposed amendments to the market rules and ad hoc technical advice, as requested

"…advice helps the Board ensure that the technical writing of the proposed rule amendment reflects a design that has been established through other engagement discussions and provides a proper fit within the context of other market rules" – TP Terms of Reference

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Updated Membership

Core Market Participant Members (7)	
Generators (2)	Bill Wilbur, Brian Kelly
Transmitters (1)	Luis Marti
Distributor (1)	Joe Saunders
Retailer/Wholesaler (1)	Julien Wu
Consumer (1)	Martin Longlade
Other Market Participant (1)	Sarah Griffiths
Non-Market Participant Members (3 to 5)	
Generators	N/A
Consumers	Robert Lake, Bob Bieler
Energy Related Businesses/Services	Dave Dent, Ron Collins
IESO Member (1)	Barbara Ellard
Chair	Chuck Farmer

***All members appointed by the IESO Board**

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Roles and Authorities

- Technical Panel
  - Reviews all proposed market rule amendments
  - Provide advice to IESO Board to ensure technical writing of proposed amendments reflect final design intent of the proposed change
  - Provides a recommendation with rationale on amendments to the IESO Board
- IESO Board of Directors
  - Considers all market rule amendments
- IESO Staff
  - Chair of Technical
  - Secretariat roles to support Technical Panel
- Ontario Energy Board
  - Revoke and refer approved amendments back to the IESO
  - Review upon request or on own initiative; hold hearing; revoke amendment and refer back to the IESO
- Ontario Energy Board – existing market rules
  - Review upon request; hold hearing; direct the IESO to make a change

Market Rules vs Market Manuals

- IESO Market Rules specify market participant and IESO obligations
  - Higher level obligations
  - Specifies "what" market participants/the IESO are obligated to do
- IESO Market Manuals outline the specifics of how to meet those obligations
  - Specifies the "how" or the details of how MPs/the IESO must meet their obligations
  - If there is a discrepancy or inconsistency between market manuals and market rules, the market rules prevail
  - Market manuals are the responsibility of the relevant business unit/department within the IESO

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Types of Amendments

- General
  - Most amendments fall into this category with 2-3 amendments typically under consideration at any given time
  - Follow the Technical Panel consultation process which takes 4-6 months from first meeting to implementation
- Urgent
  - Amendment must satisfy at least one of five criteria specified in the Electricity Act (Section 34.1) (see Appendix for criteria)
  - 11 urgent rule amendments since inception (2002)
- Minor
  - Correct typographical or grammatical errors, or to effect a change of a non-material procedural nature

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Amendment Submission & Proposal through Technical Panel

Technical Panel Reviews Amendment Submission, where applicable

Panel provided information/background then determines if the amendment submission "warrants consideration" and priority; waived if discussions held in formal engagement(new)

Technical Panel Reviews Amendment Proposal

Amendment Proposal includes detailed change with rationale and draft rules

Panel determines if the amendment proposal will be posted for stakeholder comment

Technical Panel Reviews Amendment Proposal & Stakeholder Comments

Panel votes to recommend final amendment proposal to the IESO Board **with commentary**

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IESO Board Decision & Approved Amendments

Board Reviews Recommended Amendment & Consumer Impact Assessment (impacts on price, reliability and power quality)

Approve or Amend & Approve

Reject or refer back to the Technical Panel or engagement for further consultation

Approved Amendment Published & Sent to the OEB

OEB can revoke approved amendment (within 15 days of publication)

Any person can request the OEB to review (within 21 days of publication)

IESO Reporting to Board

- President's Report
  - Update on Technical Panel business
  - Non-decisive items
- Board memoranda
  - Items for consideration/decision
  - Supporting information and material

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Appendix: A Roadmap to the Market Rules

- Chapter 1: Introduction and Interpretation of the Market Rules
- Chapter 2: Participation
  - Classes of Market Participants, Authorization
  - Prudential Requirements
  - Default Levy
- Chapter 3: Administration, Supervision, Enforcement
  - Market Rule Amendment Process
  - Enforcement – Breaches of market rules, events of default, financial penalties
- Chapter 4: Grid Connection Requirements
  - Equipment, performance standards, obligations of market participants
- Chapter 5: Power System Reliability
  - Operating states, IESO/Market participant obligations
  - System reliability (ancillary services standards)
  - Outage Coordination, forecasts and assessments

Appendix: A Roadmap to the Market Rules Cont'd.

- Chapter 6: Wholesale Metering
  - Requirements for Metering Installations
- Chapter 7: System Operations and Physical Markets
  - Registration of Facilities
  - Data Submissions for the RT markets (offers, bids)
  - Pre-dispatch/RT Scheduling
- Chapter 8: Physical Bilateral Contracts and Financial Markets
  - Transmission Rights Market auction process, settlements
- Chapter 9: Settlements and Billing
  - Hourly/Non-Hourly Charges, settlement statements, billing
- Chapter 10: Transmission Service and Planning
- Chapter 11: Definitions
- Appendices

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Appendix: Urgent Amendments - Criteria

- The urgent amendment process can be used for one or more of the following reasons:
  - To avoid, reduce the risk of, or mitigate the effects of
    - conditions that affect the ability of the integrated power system to function normally;
    - the abuse of market power;
    - an unintended adverse effect of a market rule;
  - To implement standards or criteria of a standards authority; or
  - A reason prescribed by the regulations

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