

## **Principle #1 – Efficiency**

The market should promote allocative, productive and dynamic - efficiency in the provision of electricity by minimizing the total resource costs of providing power to all customers, and by enhancing market participants' choices in conducting commercial transactions within the market.

- The market should support allocative and productive economic efficiency, encouraging generation and delivery of electricity that meets the needs of customers at the least cost.
- The market should support dynamic economic efficiency, encouraging technological progress.
- The market should generate signals that encourage efficient investment in all segments of the electrical system.
- The market should encourage competition and thereby efficiency through participants' choices in conducting commercial transactions.

## **Principle #2 – Fairness**

The market should provide for open non-discriminatory access by all who meet reasonable publicly stated prudential and technical standards. There should be no artificial barriers to entry or exit.

- The market rules must be non-discriminatory.
- Participants must meet prudential and other accreditation requirements that are appropriate to maintain confidence in and viability of the marketplace.
- The actions of the IESO must be clearly governed by written rules and protocols.
- All market participants must have equal opportunity of access to non-confidential market information

## **Principle #3 – Reliability**

The market should promote high standards of reliability and quality of electrical service and of access to electricity.

- The market rules and procedures must ensure that participants can fulfill their roles in the marketplace without imposing undue restrictions on participation.
- The IESO must have sufficient powers to operate the IESO-administered markets and the IESO-controlled grid in a manner that best ensures reliable service and quality of supply to the greatest number of customers.

#### **Principle #4 – Transparency**

The market should be as simple and transparent as feasible and should promote timely, non-discriminatory release of non-confidential market and system information to all market participants.

- The market rules and protocols should be as simple as practical, consistent with achieving other market objectives.
- All market actions by the IESO should be verifiable and able to be audited.
- All actions by market participants when governed by market rules and protocols should be able to be audited and traceable.
- Changes in the rules and protocols should follow documented procedures and ratification by the appropriate governing body.
- Market participants should have access to market and system information necessary to enable them to fulfill their licensed role in the market, to make investment decisions and to participate in the market process fairly, while recognizing the legitimate needs of market participants to protect commercially-sensitive information.

#### **Principle #5 – Robustness**

The market rules and protocols should be sufficiently comprehensive so as to ensure that only extraordinary circumstances can upset the functioning of the market.

- The IESO should have sufficient authority to deal with any “extraordinary circumstances” on an interim basis to ensure that the market is operated as far as possible according to these principles and is returned to normal market functioning expeditiously.
- Procedures for changing market rules and protocols should be efficient, enhancing the ability of the IESO to deal with recurring “extraordinary circumstances” and encouraging the evolution of a more competitive electricity market.

#### **Principle #6 – Enforceability**

The market rules should include authorities and mechanisms in that promote and enforce adherence to the rules.

- The market must provide for the imposition of deterrent penalties on market participants for transgressions of the market rules or protocols.
- The investigation of complaints should be governed by the market rules and must balance a respect for due process with expediency and efficiency.

## **Practicality and Implementation**

In applying the foregoing principles, consideration must be given to the complexity and effort (cost, time and functionality) required to implement the market

- There must be due regard for budgetary implications in the implementation of the market rules.
- Due consideration must be given to the impacts on budget and market implementation schedule in assessing changes to market rules.
- Consideration must be given to the ability to implement market rules requirements into participant and the IESO systems, practices and processes.
- Implementation complexity, cost and schedule considerations may have to themselves drive changes in the market rules (particularly to achieve successful market opening in the year 2000).
- The market rules must be implemented in a manner that ensures achievement of a viable operating market and continued reliability of the IESO-controlled grid.