

Stakeholder Engagement Plan SE-34

Criteria for Determining Financial Penalties



Revision 5 – July 10, 2007: Section V: Decision Making Steps and Schedule of Activities updated.

I. Introduction

The purpose of this initiative is to collect feedback on guidelines containing a) criteria for determining financial penalties greater than the level penalty amount maximums and up to \$1,000,000, and b) guidance on criteria for defining “potential impact” on the reliability of the integrated power system for determining financial penalties within the level penalty ranges.

Background

The IESO market rules obligate market participants to comply with the market rules including standards set by reliability authorities. A possible consequence of breaches of the market rule is the levying of financial penalties. The market rules currently do not allow the IESO to levy financial penalties greater than the level penalty maximums for breaches that solely impact the reliability of the integrated power system. In addition, the market rules did not make clear a criteria used to establish penalties within the level penalty ranges included the impact a breach had on the reliability of the integrated power system.

The IESO proposed a market rule amendment (MR-00284-R00-R02) that put forward changes to address the above:

- To include the impact of a breach on the reliability of the integrated power system among the criteria to be considered when fixing financial penalties in excess of the level penalty maximums;
- Introduce a maximum financial penalty of \$1,000,000 for each occurrence;
- To include the impact of a breach on the reliability of the integrated power system among the criteria to be considered when fixing financial penalties within the level penalty ranges.

This rule amendment was challenged by a market participant partly on the grounds that criteria was lacking in establishing penalties in excess of the level penalty maximums and a definition of “potential impacts” on the reliability of the integrated power system. The IESO has agreed that it is desirable for market participants to have a greater degree of certainty regarding both matters.

Key Issues

Market participants would like a greater degree of certainty about when they might be subject to financial penalties in excess of the level penalty maximums and the definition of “potential impacts”. Creating and publishing guidelines will allow market participants to know what the possible penalty may be once non-compliance has occurred.

II. Stakeholders

These discussions will be of interest to all stakeholders but the focus will be on large generators, transmitters and local distribution companies.

III. Stakeholder Engagement Goals and Objectives

Goal

The goal of the stakeholder engagement program is to seek feedback from stakeholders on the guidelines with a target effective date of June 1, 2007. The guidelines would be incorporated into the compliance external market manual. After experience is gained through the implementation of these guidelines, market rule amendments will be brought forward to incorporate the guidelines into the market rules.

The implementation of the stakeholder engagement process will be in accordance with the IESO's approved stakeholder engagement principles.

IESO decision making processes will be transparent and decision making stages will be clearly defined at the outset. Stakeholder views, including dissenting views, will be fully communicated to decision makers prior to decisions being taken. IESO decisions, and the rationale for decisions, will be communicated to stakeholders along with an explanation of how their input was taken into account in the decision. The IESO fully endorses its stakeholder engagement processes and will communicate the outcomes from the processes in regulatory forums.

Objectives

1. Collect stakeholder comments on proposed guidelines that contain the following elements:
 - A graduated penalty structure;
 - Criteria that help determine the severity of a breach;
 - Criteria that defines the "potential impact" on the reliability of the integrated power system.

IV. Stakeholder Engagement Approach and Methods

The stakeholder engagement methods to be employed will be a combination of the formation of an Advisory Group consisting of representatives from each directly affected sector, a webcast open to all stakeholders, and Web-Based Postings with the opportunity for comment.

The IESO will be using the feedback process which is used to seek input on draft guidelines which will be developed by the IESO.

Representative Stakeholder Advisory Group

The formation of a representative stakeholder advisory group will provide the opportunity for directly affected stakeholders to provide more detailed working level input so that the objectives can be met in a

timely manner. It is proposed that the advisory group consist of a balanced representation of the stakeholders indicated above in Section 2. The IESO will seek participants from each of these sectors. Criteria to be used in seeking participants will include overall knowledge of the market, ability to assess impacts of the guidelines on their sector, and prior experience/involvement in compliance initiatives. To the extent possible, members of the advisory group will also represent the views of their constituency.

A Terms of Reference for the advisory group will be prepared for review in advance of its first meeting to ensure mutual understanding of objectives and process. Advisory group meeting agendas and documentation from the meetings will be made public through the IESO web site. Notes from meetings will be posted for all other stakeholders to provide comments which can be provided directly in writing or through a sector representative.

Interested stakeholders are asked to send an e-mail to stakeholder.engagement@ieso.ca by March 1, 2007, and specify Stakeholder Engagement SE-34 in the subject line.

Face to face meetings are for stakeholders to provide the IESO with timely advice on the proposed guidelines from the perspective of effectiveness and clarity. The meetings will be open to all stakeholders. The intention is to obtain strong representation by those sectors which have a high probability of exposure to financial penalties in excess of the level penalty amounts in particular.

Web-Based Postings

Web-based posting will provide all stakeholders with an efficient lower cost method to be informed of the process and provide feedback. This will provide the opportunity for all interested stakeholders to offer feedback on any proposed changes as a result of the face to face meetings.

This is a public consultation and information supplied will be posted on the IESO website including identification of the contributing participant.

V. Decision Making Steps and Schedule of Activities

| Stakeholder Engagement Schedule | |
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| Activity | Target Date |
| 1. Post and Communicate stakeholder plan. | February 21, 2007 |
| 2. Closing date for stakeholder written submissions on stakeholder plan and submission of names for the advisory group. | March 2, 2007 |
| 3. Posting of stakeholder advisory group and written comments on stakeholder plan. | March 6, 2007 |
| 4. Face-to-face meeting to discuss guidelines with advisory group. | March 29, 2007 |
| 5. Deadline date for advisory group feedback on draft guidelines. | April 20, 2007 |
| 6. Stakeholder comments and IESO response posted. | April 27, 2007 |
| 7. Face-to-face meeting with advisory group to discuss revised draft guidelines based on stakeholder comments. | May 18 2007 |
| 8. Deadline date for advisory group feedback on the revised draft guidelines. | May 23, 2007 |
| 9. Webcast to discuss criteria and guidelines with broader audience. | May 29 2007 |
| 10. Deadline for stakeholder comments on the guidelines. | June 6, 2007 |
| 11. Posting of IESO response to stakeholder comments. | June 11, 2007 |
| 12. Webcast/conference call to discuss the responses and to determine an appropriate implementation date. | June 15, 2007 |
| 13. Guidelines are posted and in effect. | June 20, 2007 |

This stakeholder plan addresses the criteria for the guidelines and not any market rule amendments that may result from the consultation. Those changes will be dealt with under a separate plan.