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Market Rule Amendment Written Submission

This form is used to provide comment on a *market rule* amendment under consideration by the *IESO*. Please complete all four sections of this form and submit the completed form by email or fax to the following:

Email Address: Rule.Amendments@ieso.ca

Fax No.: (416) 506-2847 Attention: Market Rules Group

Subject: Market Rule Written Submission

All information submitted in this process will be used by the *IESO* solely in support of its obligations under the *Electricity Act, 1998*, the *Ontario Energy Board Act, 1998*, the *Market Rules* and associated policies, standards and procedures and its licence. All submitted information will be assigned the *confidentiality classification* of “Public” upon receipt. You should be aware that the *IESO* intends to publish this written submission.

Terms and acronyms used in this Form that are italicized have the meanings ascribed thereto in Chapter 11 of the *Market Rules*.

PART 1 – SUBMITTER’S INFORMATION

Please enter your organization and contact information in full.

Name: Adam White

(if applicable) *Market Participant / Metering Service Provider No.*¹: _____

Market Participant Class:
Industrial Consumers

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PART 2 – MARKET RULE AMENDMENT REFERENCE

Type of Rule Amendment Being Commented on (please indicate with x):

Amendment Submission Proposed Rule Amendment Recommended Rule Amendment

MR Number: MR-00347

This *Market Rule* number is located on the “Current Market Rule Amendment” web page.

Date Relevant Amendment Submission, Proposed or Recommended Rule Amendment Posted for Comment: August 20, 2008

¹ This number is a maximum of 12 characters and does not include any spaces or underscore.

PART 3 – COMMENTS ON RULE AMENDMENT

Provide your comments.

AMPCO has several reservations concerning this proposed amendment. To our understanding, all market and non-market costs are paid by loads and exporters, with the export leg of linked wheels attributed to exporters at present.

This proposal would exempt linked wheels from some charges they are currently paying. Effectively, this would create a wealth transfer from linked wheel traders to other exporters and loads. From reading, it appears that Constellation energy is seeking this amendment in order that the costs charged for its activities are more precisely allocated than is presently the case. Before agreeing to such a change, it should be established that in fact the change is justified in both principle and practice.

It is agreed that linked wheels should not be paying for uplifts that do not relate to their requirements, such as the OPA costs and OPG rebates. To our understanding, these costs are not currently being paid by linked wheel transactions.

However, we cannot accept at face value Constellation's assertion that linked wheels have no effect on generation-related costs, such as CMSC, RMR costs, OR, etc. To the extent that a linked wheel adds traffic to the system, it will inevitably affect the level and distribution of congestion on the system and not only at the interface. Thus, linked wheels can cause costs on the grid, which increase the cost of energy for consumers.

Linked wheel transactions are also the beneficiaries of services that directly support the reliability of the grid, such as the provision of operating reserve, reliability must run, frequency stabilization, etc. Were these services not available, linked wheel transactions would face greater risk of failure. Linked wheels must also affect the costs of some of these services, by their impact on network congestion and especially at the interfaces. For example, congestion on an interface will have a direct impact on the availability of shared operating reserve.

We have noted the action taken by the NYISO to restrict wheeling through the IESO controlled grid. Reviewing the FERC transcript, it would appear that this was a relatively simple case of gaming or creative arbitrage, depending on one's perspective. It also appears that most of the wheeling that was the subject of the restrictions occurred only in the financial realm and not physically. For discussion of this amendment, the NYISO action does not seem particularly relevant. However, it does seem to make two points, one stated and one not.

The stated point in the FERC hearing is that power flows are not currently controlled, and the power flows where Ohm's law dictates. The recommendation to start up the Ontario – Michigan phase shifters is noted and AMPCO would like to see some consideration of how activating this resource may affect the volume of physical wheeling that occurs, as well as the effect on the Lake Erie circulation.

The unstated point in the FERC hearing was that the traders involved in the nominal wheeling of power going the long way around between the NYISO and PJM was not impeded by the level of IESO wheeling charges. This suggests in turn that, while there may be some issues to consider with respect to IESO wheeling charges, the absolute cost does not seem to be inhibiting trade.

At this point, neither the IESO nor Constellation has presented the type of information about the physical effects of (real) linked wheels on the operation of the IESO controlled grid and market that would support a sound fact-based discussion of this issue.

As a part of this analysis, AMPCO notes that the question of the appropriate level of the export transmission charge has still not been determined by the IESO and is also lower than for neighboring

PART 3 – COMMENTS ON RULE AMENDMENT

jurisdictions. AMPCO could not agree to any changes in charges for wheels that did not also include a determination of what an appropriate and competitive export transmission charge should be.

Finally, AMPCO has a basic concern with one type of market participant receiving a very specific charging regime, without corresponding consideration of analogous situations for other types of participants. Every type of market participant has some unique characteristics, which in turn means a unique cost causality profile. If charges are to be more specifically calculated for one type of participant, then all types should receive similar cost causality and benefit analysis.

PART 4 – EXTERNAL CONSULTATION MEETING

If you believe that a special meeting of stakeholders would be necessary/desirable to discuss the issues raised by the rule amendment, please complete the following information:

External Stakeholdering meeting necessary/desirable (please indicate with x):

Reason(s) why you believe a meeting is necessary/desirable: