



Power to Ontario. On Demand.

IESO SENIOR MANAGEMENT UPDATE

To: Stakeholder Advisory Committee

Date: April 4, 2007 (revised April 13 with the addition of 12, 13, and 14)

Subject: **Update on Seams Issues**

Information Item

The following seams issues are part of the IESO's ongoing work with neighbouring ISOs:

1. **Congestion Management Process and Market to Market Coordination**

The IESO is involved in investigating the congestion management process and market to market coordination. The IESO is always looking to improve the efficiencies of trading between jurisdictions. The IESO is a participant in a joint investigation seeking economical solutions to regional congestion. (PJM/NYISO/MISO/IESO).

2. **MISO Scheduling Protocol**

New trading protocols with MISO to improve the transmission release process are under development.

3. **NYISO Scheduling Protocol**

Discussions with New York ISO are underway to improve existing protocols in an effort to reduce transaction failures and other market inefficiencies. These efforts include:

- (a) One hour bid/offer window analysis
- (b) Suspension of New York Hour Ahead Market (HAM) Protocol during times of stress in Ontario
- (c) NYISO curtailment of transactions when exports are made recallable by IESO

4. **Trans Energie Scheduling Protocols**

The IESO is working with Trans Energie on the following items:

- (a) Understand the root cause of transaction curtailments
- (b) Reconciliation of Inadvertent energy
- (c) Refinement of the Segregated Mode of Operation process

The following seams issues are currently being investigated through the Intertie Trading Standing Committee:

5. Financially Binding Status (FBS)

The IESO is investigating the continuation of FBS on the MISO interface, expansion to the NY interface and an analysis of its applicability to all interties.

Other Items of Interest to Intertie Traders

6. Publication of Intertie information

The IESO is pursuing the publication of information of interest to intertie traders. These reports will include intertie shadow prices, intertie congestion prices, identification of exports by zone in the day-ahead adequacy report and an indication of when net interchange scheduling limit is binding.

7. Transmission Rights (TR) Analysis

The IESO Board has requested an investigation into the current transmission rights market processes. This work and the resulting recommendations will be carried out through a stakeholder engagement plan.

8. Assessment of Counterintuitive Failure Charges

Stakeholders have requested that the IESO investigate the assessment of intertie failure charges when the failure benefits the market. This work will be done through the Intertie Trading Standing Committee.

9. Penalty Factors

The IESO is currently recalculating the penalty factors for dispatch using current system conditions and software upgrades. Export loss factors are known to be incorrect due to a now improved software limitation and if additional analysis shows a significant difference from existing penalty factors, the IESO will also update the import factors (as well as other internal factors) in conjunction with a future stakeholder engagement plan.

10. Prudential Review – SE 23

As part of this stakeholder plan a report was prepared and recommendations are being delivered to the SAC on April 4, 2007. This activity could affect the levels of prudential support required by trading entities.

11. Criteria for Determining Financial Penalties – SE 34

A stakeholder group is currently looking at allowing the IESO to levy financial penalties that are greater than the current maximums for breaches that solely impact the reliability of the integrated power system. The first meeting of the stakeholder group was scheduled for March 29, 2007.



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12. Operating Reserve (OR) Initiatives – SE 37

The IESO is undertaking a number of initiatives related to the Operating Reserve markets. These include:

- (a) Reducing the Ontario non-synchronized ten minute OR requirement by 100 MW of Regional Reserve Sharing
- (b) Reducing the Ontario synchronized ten minute OR requirement by 100 MW of Regional Reserve Sharing
- (c) Allowing dispatchable loads to provide 10 minute synchronised OR
- (d) Treatment of Shared Activation of Reserve (SAR) in the market schedule (MSP recommendation)
- (e) Exporting Operating Reserve

13. Day Ahead Market or Day Ahead Commitment Process Evolution – SE 21

Through this stakeholder plan the IESO is seeking stakeholder input on the development of a day-ahead market for Ontario. The ability to create DA export transactions as well as other trading related items will be addressed through this activity. An open forum will be held in mid April.

14. Hydro One Export Tariff Rate Case

As part of this Rate Case at the OEB, Hydro One has put three proposals forward for consideration. The IESO is participating in the next phase of this proceeding.