

Application of Measurement Error Correction Factor - Legacy Metering Instrument Transformers

I. Introduction

Stakeholder input is being solicited to assist the IESO in deciding the proper measurement error correction factor to be used against those metering instrument transformers that existed at the time of market opening (legacy metering).

There are three different ways of applying a Measurement Error Correction Factor for legacy metering instrument transformers. The options are:

- a. Apply the full value of the American National Standards Institute (ANSI) accuracy;
- b. Apply a partial value of the ANSI accuracy; or
- c. Do not apply a measurement error correction factor (exempt all legacy instrument transformers).

Background

Some legacy Instrument Transformers (ITs) do not meet current Market Rule accuracy requirements. In July 2003, the IESO undertook a public consultation on the application of an IT accuracy correction factor (a.k.a. "IT MEC") and the response was overwhelmingly against applying an IT MEC at that time. Considering the Metered Market Participants ("MMPs") input, it was decided to defer the application of an IT MEC until May 1, 2006. The current market rules and associated manuals state that the IESO will apply a MEC factor effective May 1, 2006. The IESO needs to confirm the market's position on this issue so that MMPs can make informed cost/benefit decisions in 2005 to enable them to budget and schedule the replacement of ITs if appropriate to their situation.

Situation

Out of the approximate 11,000 instrument transformers in the wholesale system, about 1000 are Measurement Canada ("MC") approved with an accuracy of greater than market rule minimum standards and therefore require an IT MEC be applied. This affects about 100 Market Participants.

For more information see: http://www.ieso.ca/imoweb/consult/consult_mec2.asp.

II. Key Issues

Application of an IT MEC (options a. and b. above) sends a signal to MMPs the importance that the market places on accurate ITs being utilized in the marketplace, and ensures that MMPs that have the required ITs, will not have to subsidize those who do not.

Some MMPs had gone ahead and installed conforming ITs in advance of the May 1, 2006 deadline, and other MMPs have not. Costs were incurred by the proactive MMPs whereas, under option c., the remaining MMPs will not incur any costs. It is estimated that it would cost about \$26 million in capital costs to replace the 1,000 ITs.

Applying an IT MEC may result in a reduction in the uplift, i.e., increasing the energy reading of the 1,000 meters will reduce the net energy market settlement uplift for all of the market. Generators are not affected by a reduction in uplift whereas all load participants would benefit from the small reduction.

Not applying an IT MEC (option c) results in those MMPs with legacy installations not having an additional financial burden, a burden that would ultimately be borne by the ratepayers. It follows the principle that the ITs that existed at market open can come into the market and remain as is.

III. Stakeholders

All MMPs are affected. In addition, any wholesaler (e.g., Marketer/Broker) who pays uplift may be affected as well.

Stakeholdering efforts will therefore focus on all registered Market Participants with the exception of Transmitters.

IV. Decision Making Process

The IESO will decide on the proper IT MEC factor based on feedback from stakeholders. The consensus amongst stakeholders will be a determinant as to what option will be implemented. Once implemented, it will apply to all meter market participants with legacy ITs.

The results of the consultation will be posted on the IESO website.

V. Goals, Objectives, and Overall Approach

The goal is to use stakeholder input to decide which option is preferred by the majority of stakeholders and to then implement that decision.

The IESO will strive to ensure stakeholders have timely, accessible, and accurate information, sufficient to understand the implications of the various options.

This IESO stakeholder plan will be transparent and will be clearly communicated. Stakeholder views, including dissenting views, will be posted on the public web site. The IESO stakeholder engagement plan will provide the opportunity for all stakeholders with an interest in an issue to participate.

The IESO will actively encourage all MMPs with an interest in a decision to participate in the process and no stakeholder constituency will have undue influence on the process.

VI. Stakeholder Engagement Methods and Schedule

Anyone taking part in this consultation is requested to submit their position in writing stating which option they prefer:

- Option a: Applying a full value
- Option b: Applying a partial value.
- Option c: No IT MEC applied.

More than one option may be chosen, but preference must be indicated. We will ask that reasons for the choice be included, but it is not a requirement.

IESO will also consider additional options from stakeholders which may result in revisions to this stakeholder plan including the schedule below.

Please send your input to: stakeholder.engagement@ieso.ca

The dates of the consultation are:

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| • Posting Stakeholder Engagement Plan | August 24 th |
| • First meeting with Revenue Metering Sub-Committee | August 26 th |
| • Communication to all Stakeholders | August 26 th |
| • Conference call with interested stakeholders | September 1 st at 2:00 pm |
| • Closing date for Stakeholder input | September 23 rd |
| • Posting of Stakeholder input | September 27 th |
| • Communication of recommendation | October 14 th |

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