

# Memorandum

To: Market Pricing Working Group

From: John MacKenzie

Date: October 24, 2007

Re: **Action Item 44-3: Proposed Plan and Schedule for Addressing “Exporting Operating Reserve Initiative”**

Exporting operating reserve has been an outstanding issue within the IESO-administered markets since before market commencement. The current market design does not permit the exporting of operating reserve from Ontario to neighbouring markets.

At the Market Pricing Working Group (MPWG) meeting on August 23<sup>rd</sup>, 2007, the IESO committed to provide a plan and schedule for addressing this issue. Below, for MPWG member information and feedback, is the proposed plan and schedule.

## Proposed Plan and Schedule

1. IESO to engage an external consultant to conduct a study that would include the following:
  - a. Survey of other electricity markets within North America to determine if and under what conditions operating reserve is transacted commercially between markets. Included in this survey would identification of:
    - i. markets which permit the exporting of operating reserve;
    - ii. the level of exporting operating reserve activity within those markets;
    - iii. how commercial transactions of operating reserve between markets are evaluated and scheduled relative to other cross-border transactions such as energy imports and exports;
    - iv. how cross-border operating reserve is activated; and
    - v. impact on Available Transmission Capacity.
  - b. Identify any generic and Ontario-specific institutional barriers to commercial trading of operating reserve between markets. Institutional barriers would include government trade policies, regulatory (e.g. NERC, FERC, NPCC, OEB, NEB) requirements, ISO policies, existing market rules and requirements etc.
  - c. Qualitative assessment of the impact of cross-border operating reserve transactions on the economic efficiencies of the sending and receiving markets.

- d. Identify and recommend means to address the identified institutional barriers that hinder or prevent commercial trading of operating reserve between Ontario and neighbouring markets.
2. This study would start in January 2008.
3. The consultant would provide interim findings by the end of February 2008 for discussion and feedback at the March 6<sup>th</sup> meeting of the MPWG.
4. The consultant would provide a draft final report to the IESO and the MPWG by end of March 2008 for discussion and feedback at the April 10<sup>th</sup> meeting of MPWG.
5. The consultant would provide a final report at the end of the April 2008 for discussion at the May 8<sup>th</sup> meeting of the MPWG.
6. The IESO would determine next steps and schedule on the basis of the final report and MPWG discussions.

Yours truly,

John MacKenzie