

IESO SENIOR MANAGEMENT UPDATE

To: Stakeholder Advisory Committee

Date: October 19, 2011

Subject: **Export Transmission Service (ETS) Tariff Study (SE-94)**

Information Item

Summary

The IESO will be selecting a vendor to complete a comprehensive study of a range of proposed Export Transmission Service (ETS) tariffs. The study will quantify the potential impact of the various ETS tariffs on specific market variables and provide a comparative assessment of each ETS tariff with respect to generally accepted rate-making principles. It will be submitted to the OEB for consideration as a part of the Hydro One fees case in the spring of 2012.

The IESO consulted with stakeholders to solicit feedback on the proposed scope of the study. Details can be found on the [SE-94 web page](#). As a result of the stakeholder discussions, there was general agreement that the study should consider the following rate designs:

- 1) Flat rate options: a) \$0; b) Status quo (\$2); c) Equivalent average network transmission charge
- 2) Two-tiered options (off-peak/on-peak): a) \$0 and equivalent average network transmission charge; b) \$1 and \$3.50

There were several suggestions from stakeholders for additional variations within the two-tiered options. The IESO advised additional scenarios may be considered, depending on the associated costs.

Stakeholders also agreed that the study will quantify the potential impact of various ETS tariffs on:

- Total electricity export and import volumes
- ETS tariff revenues
- Hourly Ontario Energy Price and Global Adjustment
- Surplus Baseload Generation

The study will also contain a comparative assessment of the ETS tariff with respect to the following rate-making principles:

- Simplicity
- Consistency with rates in other jurisdictions
- Fairness in apportioning costs of service among different consumers
- Efficiency

The OEB requested that the study be completed in advance of the filing of the next transmission rates application by Hydro One (expected to be filed in May 2012).

Schedule of activities:

- Vendor selection – early November
- Stakeholder session to provide study status update – December
- File final report with OEB – April 2012

Background

The OEB in their most recent decision on the rate of the ETS tariff (\$2/MWh) requested that the IESO consult with stakeholders and undertake a comprehensive study to identify a range of proposed ETS tariffs and their respective pros and cons. The ETS tariff is established by the OEB, and the IESO collects the charges and remits to Hydro One on a monthly basis.