

Revision 1 – April 29, 2009. Section VIII: Revisions to Schedule of Activities based on IESO timeline updates.

I. Summary

Transmission rights (TR's) are financial instruments that entitle the owner to a settlement amount if congestion on an intertie leads to price differences between the intertie zone and the Ontario zone.

The IESO is reviewing the current design of the IESO transmission rights market and will provide any recommendations for change. This initiative will be of specific interest to all market participants who are transmission customers, transact in the transmission rights market or transact on the interties.

This stakeholder plan has been developed to define the opportunity for stakeholder involvement in the analysis of transmission rights market and any recommended changes.

II. Introduction

Transmission rights are financial instruments that are periodically auctioned by the IESO and are purchased by market participants to hedge against intertie congestion costs or as speculative investments. Holders of transmission rights are entitled to a revenue stream based on the number of rights they hold and the spot market price differences between Ontario and external zones.

The IESO, in response to a request made by the IESO Board of Directors, will be analyzing the current design of the transmission rights market and provide any recommended changes, if applicable.

The analysis will cover three main areas:

- Market design (terms of the rights, funding model, etc.)
- Transmission Rights Clearing Account
- Confidence Level

More information on the Transmission Rights Market can be found on the IESO web site.

http://www.ieso.ca/imoweb/pubs/training/tr/wb_tr1_Intro.pdf

<http://www.ieso.ca/imoweb/pubs/consult/se17/se17-20070201-TR-Info.pdf>

III. Background

Effective March 2004, following IESO stakeholder engagement, in an effort to maximize trade and increase trading liquidity the Board agreed to use the TR surplus above a set threshold of \$10M, to allow an increase in the volume of TRs sold via the following algorithm. The algorithm, in effect, changes the confidence level for short-term (monthly) rights.

Prior to the 'confidence level' changes, in April 2004 the congestion rents were, with few exceptions, greater than the TR payouts. For the past 36 months the TR Payouts have been greater than congestion rents. Congestion rent shortfalls have resulted in \$77 million in auction revenues and interest being used to fund the TR payouts. Most of these revenues (\$72 million) have been used since the reduction in the 'confidence level'

Despite shortfalls the account balance has continued to increase an average of \$3 million a month (including \$300,000 in interest).

In December 2006, the TR clearing account balance available for disbursement was approximately \$77 million, and was continuing to grow. At this time the IESO Board approved the disbursement of \$57 million over 12 months. The first payout took place on April 30th 2007 with the final payout in January 2008. At the time of the payout, the reserve threshold was increased to \$20M.

IV. Stakeholders

A review of the transmission rights market will be of interest to all existing and future transmission rights market participants and participants in intertie transactions. It will also be of interest to other stakeholders if there are any impacts on the method of TR payout or if uplifts are impacted. We will encourage all stakeholder sectors with an interest to participate in the process.

V. Decision Making Process

All stakeholder views will be provided to the IESO management. Our decisions, along with rationale will be fully communicated to stakeholders, along with an explanation of how their input was taken into account.

The IESO will consider all input in this decision and will use this input to develop options that try to address differing points of view. Any changes may require a management's decision, a Board decision, rule changes, and/or policy changes.

VI. Goals, Objectives, and Overall Approach

The implementation of this stakeholder engagement plan will be in accordance with the IESO's approved [stakeholder engagement principles](#). The plan will be subject to review and update as the process evolves and stakeholder comments are incorporated, and as revisions are warranted

Goal

The IESO will be developing a paper that analyzes the current market design, transmission Rights Clearing Account and confidence level of the transmission rights market and will be asking stakeholders for their feedback on the recommended changes, if warranted. This feedback will assist the IESO in their recommendation to the IESO Board.

Objectives

To provide stakeholders the opportunity to provide feedback on the analysis of the transmission rights market and on any recommended changes.

Approach

The main stakeholder engagement approach will be feedback – with request for stakeholder review and written feedback. Presentations will be made to existing standing committees (market pricing working group and intertie trading) with a request for input.

Web-based postings provide all interested stakeholders with an efficient low-cost method to be informed with the opportunity to communicate their views via e-mail to stakeholder.engagement@ieso.ca. All stakeholder input will be posted on the IESO website.

VII. IESO Sponsor

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VIII. Stakeholder Engagement Schedule

Stakeholder Engagement Schedule		
Activity	Expected Actions	Target Date for Completion
1. Post and communicate stakeholder engagement plan.	Stakeholders to provide written feedback.	August 7, 2008
2. Presentation to Market Pricing Working Group on the areas that will be addressed in the discussion paper.	Dialogue – presentation to stakeholders	August 19, 2008
3. Deadline for written input from stakeholders.	IESO to post feedback from stakeholders.	August 21, 2008
4. Posting of revised stakeholder plan incorporating feedback from stakeholders, if required.	IESO to publish revised stakeholder plan	August 28, 2008
5. Post discussion paper and recommended changes.	Dialogue - IESO to publish discussion paper	3 rd Quarter 2009
6. Presentations to existing standing committees.	Dialogue – IESO to gather feedback from stakeholders	3 rd Quarter 2009
7. Deadline for comments on discussion paper and recommended changes.	IESO to post feedback from stakeholders.	3 rd Quarter 2009
8. Post revised paper incorporating feedback from stakeholders.	IESO to post revised paper	3 rd Quarter 2009
9. Presentation to the Stakeholder Advisory Committee.	Deliberation – Input requested from sector members	4 th Quarter 2009
10. Provide recommendation to the IESO Board.	Decision by Board	4 th Quarter 2009
11. Market Rule changes.		1 st Quarter 2010
12. Market Manual changes.		1 st Quarter 2010