

On December 11, 2008, the IESO posted the Export Transmission Service Tariff Study [stakeholder engagement plan](#). Stakeholders were asked to send in written comments by January 12, 2009.

Two comments were received. For complete text of stakeholder comments, please refer to:

SanZoe Consulting Incorporated

http://www.ieso.ca/imoweb/pubs/consult/se78/se78-20090109-Comments_SanZoe_Consulting.pdf

Vulnerable Energy Consumers Coalition

http://www.ieso.ca/imoweb/pubs/consult/se78/se78-20090109-Comments_VECC.pdf

The following is a summary of Stakeholders key comments on each topic followed by the IESO response which has been indented for ease of reading.

Vulnerable Energy Consumers Counsel

Roles and Responsibilities

Mr. Bounaguro observes that: [a]s the Plan notes, the ultimate responsibility for approving the Export Tariff lies with the OEB and the ultimate responsibility for making the associated application for approval lies with Hydro One Networks. It is VECC's understanding that the IESO's involvement in this issue arises primarily due to the need to determine whether reciprocal arrangements can be made with neighbouring jurisdictions regarding transmission pricing for power exchanges between jurisdictions. As a result, VECC considers this to be a key and central aspect of the IESO's study.

IESO Response

The IESO agrees that the ongoing discussions with neighbouring jurisdictions to pursue arrangement for reciprocal treatment of the export tariff is an important aspect of this undertaking. We believe that due to our role as both System and Market operator the IESO was deemed as appropriately positioned to engage our neighbours in these discussions.

Objectives

Mr. Bounaguro suggests that the assessment approach described in the Stakeholder Engagement Plan appears to focus almost entirely on the issue of market efficiency with no consideration regarding the fairness/equity of the resulting rates. And that this is significant shortcoming as the Board's objectives include consumer protection and Hydro One Network's pricing principles require that pricing methodologies be fair and equitable and should not favour any group or type of customers.

Furthermore, fairness and equity should be particularly important consideration, if as the stakeholder plan observes, establishing arrangements for reciprocal treatment of the export tariff with neighbouring jurisdictions does not appear to be a reasonable outcome at this time.

IESO Response

In formulating the approach for undertaking the study and process for reviewing and recommending the appropriate ETS tariff, the IESO will rely upon parameters and evaluation principles that were discussed as part of Hydro One's transmission rate review (EB-2006-0501, Exhibit HI, Tab 5, Schedule 1, Page 7 -8). The primary focus of the IESO's effort is to consider various alternatives to the current tariff design and rate, and the likely impacts of each of these alternatives on a number of parameters that were identified as being important to stakeholders. These parameters include: export volumes, ETS revenues, HOEP and market efficiency. Based on a review of the impacts of the current and alternative tariff design on these parameters, the IESO will propose the appropriate tariff design and rate(s) which will strike a balance between simplicity of implementation, fairness and equity, the degree to which it will promote market efficiency in the region, and consistency with rates in neighbouring jurisdictions.

Mr. Bounaguro also notes that: in terms of objectives, the degree of need for consistency with rates in neighbouring jurisdictions will depend on whether reciprocity in transmission pricing arrangements is possible. What is likely more important is consistency in rate setting methodologies – recognizing that costs and therefore rates will vary by jurisdiction.

IESO Response

The IESO recognizes the potential for inconsistent treatment of the export tariffs between jurisdictions if the parties are unable to arrive at an arrangement to eliminate the tariff on a reciprocal basis. Accordingly, under option 3 the IESO will also be reviewing scenarios that could otherwise ensure reciprocal treatment of the tariff between Ontario and each of the interfacing markets.

Mr. Bounaguro further notes that: the Plan suggests (page 6) that Ontario could end-up with a mix of ETS rates at its different interfaces. There is a need to distinguish between reciprocity in terms of common transmission charges/methodologies versus reciprocity in terms of elimination of overlapping transmission charges. These are two very different interpretations and it is VECC's view that the IESO should be pursuing the later with neighbouring jurisdictions while maintaining a common export tariff where applicable.

IESO Response

The IESO agrees that these are separate interpretations. However, given the status of the discussions with our neighbours, the IESO will likely assess the potential impacts of both scenarios under option 3 of the study.

SanZoe Consulting Inc. (Representing AMPCO)

Process

Mr. Clark suggested that the IESO should consider seeking agreement/approval from the OEB in order to fund intervenor involvement in this initiative. Mr. Clarke believes that such action would ensure maximum involvement of intervenors.

Mr. Clark suggests that the IESO should provide specific notice to all intervenors in EB-2008-0272 (Hydro One Transmission Rate Application) of this review, with indication of whether intervenor funding will be available.

IESO Response

Any change to the ETS tariff will need to be approved by the Board as part of a rate setting process. Since this stakeholder engagement is not a hearing, the IESO believes that it is more appropriate for intervenors to request funding as part of any subsequent hearing before the Board to review and approve changes to the current transmission tariff. In addition, the IESO's stakeholdering process is quite flexible, enabling all interested stakeholders to participate in the process with limited time and resource commitments. As such the IESO will not be providing intervenor funding in support of this Stakeholder Engagement.

In addition to its weekly bulletin, the IESO has sent a notification to all intervenors in Hydro One's Transmission Rate hearing.

Assessment of Options

Mr. Clark asked that cost allocation be added to the items to be evaluated.

IESO Response

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The result of the IESO's review of potential alternatives to the current ETS tariff, and recommendation regarding an appropriate ETS tariff design and rate(s) may assist AMPCO and others in any subsequent discussions and review of cost allocation undertaken by the Board.

Mr. Clark suggested that the review should provide comment on the options being considered in terms of the extent to which they may incent or discourage "phony" wheeling for financial purposes only.

IESO Response

The study will look at the impact on import, export and wheel through transactions and we expect to be able to perform a qualitative assessment of whether the proposed options will either incent or discourage circuitous wheel through transactions as occurred in New York in 2008.

Mr. Clark asked for the reason for the insertion of cross border emissions as part of the review.

IESO Response

Although potential implications on cross-border emissions was not specifically identified as a proposed evaluation parameter for the ETS tariff study it has been raised as a potential concern by certain stakeholders. To address the potential concern, the IESO considered that it may be beneficial to obtain a better understanding of what impacts, if any, new or reciprocal transmission export tariffs may have on electricity trades and consequentially on air emissions in the region. If this issue is not considered important to stakeholders it can certainly be removed from the scope of the study.