

Minutes of Meeting

Date held: June 25, 2009	Time held: 8:45 am– 12:30 pm	Location held: IESO Office
Invited/Attended:	Company name:	Attendance Status: (A)tended; (R)egrets; (S)ubstitute
AMPCO	Mei, Sam	A
APPRO	Butters, Dave	A
Brookfield Energy Marketing Inc.	Kaiman, Darryl	A
Bruce Power	Loughren, Chris	A
Hydro One	Roger, Mike	A
Hydro Quebec	Bellavance, Erik	A
Manitoba Hydro	Young, Tyler	Teleconference
Ontario Energy Board	Cincar, Chris	Teleconference
Ontario Power Generation	Peterson, David	A
Ontario Power Generation	Anderson, Colin	A
Power Workers Union	Kidane, Bayu	A
TransCanada Energy	Kuntz, Margaret	A
IESO	Burrell, Carl	A
IESO	Chase, Maia	A
IESO	Gibbs, Barclay (CRA Intl)	A
IESO	Shavel, Ira (CRA Intl)	A
IESO	Ingman, Nick	A
IESO	Lainis, Helen	A
IESO	Peerbocus, Nash	A
Scribe: Helen Lainis		
Please report any corrections, additions or deletions to: helen.lainis@ieso.ca		

Meeting materials are available on the IESO web site at:
http://www.ieso.ca/imoweb/consult/consult_se78.asp

Summary of Meeting Discussion

Item 1 Introductions and Review of Agenda

The IESO's Maia Chase welcomed the attendees and introductions were made. She reviewed the agenda and went over the stakeholder engagement principles.

Item 2 Recap of Export Transmission Service Tariff (ETS) Study and Activities

The IESO's Nicholas Ingman thanked the working group for their participation. He further explained that there was a need to adjust the initial scope of the study to consider the impact of the various options on surplus base load generation events as put forward by stakeholders. As a result of this additional work, we requested an extension from the OEB to the date for producing our final report and recommendation to August 14th, 2009.

He went on to update participants on the discussions with our direct neighbours regarding reciprocal treatment, including joint elimination of the ETS tariff. As we mentioned in our prior meeting, to date, NYISO has been the most receptive and has also engaged in a similar arrangement with New England ISO. Hydro Quebec Trans-Energie, the system operator in Quebec, has sent us a letter stating that they have no basis on which to engage in any negotiation or to participate in any reciprocal treatment or joint elimination of export and wheel-through transmission service costs. Similarly, MISO has not been receptive to idea of reciprocal treatment or joint elimination of the ETS tariff.

Also, the IESO's Carl Burrell informed stakeholders that the IESO is currently in the process of conducting a series of qualitative assessments of the ETS options which will further assist and inform the IESO in its review and recommendation of an "appropriate" EWT for Ontario. The qualitative assessments are to test whether the ETS options, if implemented, would run afoul of NEB export provisions (i.e., fair market access), FERC/DOE non-discriminatory and comparable transmission access and tariff principles, and federal trade provisions in respect of NAFTA and GATT requirements. In addition, IESO staff is conducting a review to ascertain reliability and operational implications of these options.

Carl Burrell also noted that, given the level of information and intelligence that has been gathered to-date on each of the options, we've concluded and is quite confident that no further qualitative assessment is required with respect to Option 3 - Reciprocal Tariff Treatment in order to ascertain if the two scenarios under this option are still viable. The primary basis for concluding that we need not carry-out any additional qualitative assessment to inform our analysis and recommendation of an appropriate ETS tariff for Ontario are twofold:

- 1) Given that we were unable to secure interest among all the parties to pursue joint elimination of the ETS tariff, Scenario 1 is not considered reasonable or appropriate at this time.
- 2) In approving and fixing the ETS tariff the Board is guided by provisions set out in the Ontario Energy Board Act, 1998 (the statement is in reference to section 78 (3) of the Ontario Energy Board Act, 1998 which requires that "... the Board may make orders approving or fixing just and reasonable rates for the transmitting or distributing of electricity..."). If implemented, Scenario 2 would effectively result in the Board having to materially depart from the traditional cost of service basis for approving or fixing just and reasonable rates for transmission service. Furthermore, this would result in potentially large disparities between the transmission rates applicable to exports to other jurisdictions, including other provinces. In addition, based on our initial review of the

regulatory implications of Scenario 2, it would appear that it would also run afoul of federal trade obligations and requirements. In which case we do not believe that the Board can knowingly implement an export charge which consequently would run afoul of these requirements and obligations.

Board staff (Chris Cincar) expressed a concern about the IESO's decision not to undertake further legal and regulatory and operational review in respect of Option 3; especially given that this was one of the three options that the IESO was asked to study. He expressed his disagreement on the IESO's latter basic and argument, and noted that it is more appropriate to leave it to the Board to decide whether there are legal impediments to implementing Option 3. Carl Burrell noted that the IESO charge, among other things, is to assess each option and recommend an appropriate EWT for Ontario. In doing so, we do not believe it is necessary to undertake further study in order to form an opinion as to whether the two scenarios under Option 3 are still viable considerations.

Item 3 Overview of Export Transmission Service Tariff (ETS) Study Preliminary Analysis

CRA representatives Ira Shavel and Barclay Gibbs provided an overview of the preliminary results. They began with a review of the key study objectives. They proceeded with the key assumptions used for their calibration and scenario analysis in their North American Electricity and Environment Model (NEEM), which represents the US electric power system and portions of the Canadian system and elaborated on the limitations on the analysis:

- Assumed comparable cap and trading system between the US and Canada;
- Used a load duration curve model with a “pipes and bubbles” representation of major transmission major paths and transfer capabilities;
- It is not chronological nor does it consider electrical flows (i.e., loop flows); instead, it considers the contract path;
- Transmission constraints inside of Ontario are not modeled. Michigan was treated as a separate region and import capability from the south is restricted from flows between Michigan and Ontario due to the severe transmission constraints in Michigan. Ontario to PJM flows were modeled as virtual links, one via MISO and via NY.
- Limited understanding of hydropower output shape for Quebec and New York; and
- Real-time bidding behaviour and contracted generator arrangements and obligations have generally been ignored.

In response to stakeholder concerns over some of the limitations, CRA explained:

- Unlike the GE MAPP model, the NEEM model uses the contract path, which is a better representation of reality in that all the charges follow the contract path with the underlying transmission constraints. The NEEM model is appropriate for the tariff study, but may not be ideal for studying detail implications of surplus base load generation since it is not based on hourly analysis.

- Since the NEEM model uses global optimization, the simplified assumptions would still provide robust results on the impacts of the various ETS rate options. In addition, using loop flow patterns in the GE MAPP would distort the results by overriding the simplified assumptions used in the NEEM model.

They continued with general conclusions from the preliminary results which are summarized as follows:

- Given the supply mix, Ontario has more opportunity to export to PJM/MISO after North American carbon policy takes effect;
- ETS options such as the average network rate and the modeled reciprocal agreements tend to increase consumer surplus and decrease producer surplus and ETS options such as unilateral tariff elimination tend to increase producer surplus and decrease consumer surplus;
- Impacts on SO₂ and NO_x emissions are small and under the North American cap-and-trade policy for CO₂ emissions, the ETS charge scenario has no effect on North American power system CO₂ emissions.

Item 4 Observed Impacts on Surplus Base Load Generation (SBG) Events

The IESO's Nash Peerbocus provided an overview of the potential impacts of each ETS tariff option on SBG events and whether the ETS tariff can materially impact SBG events. The analysis recognized the limitations to the SBG findings given the adoption of certain assumptions, such as hydro generation assumed to run flat across each load block. The preliminary results and findings revealed a significant number of SBG events in the summer and winter periods. A number of stakeholders (e.g., OPG, Bruce Power) expressed concern with these results and findings, on the basis that this appears to be counterintuitive to that what they would normally expect given past experience. Stakeholders also expressed concern with respect to some of the study inputs (e.g., hydroelectric production level is assumed to be equal in each month of the study test years). The IESO noted that it will undertake a review and make refinements to the key study inputs (e.g., how Ontario hydro production forecast is represented in the model) as necessary.

Item 5 Stakeholder Feedback and Comments

A list of Stakeholders' key concerns and comments--requiring the IESO's response--are captured in the attached document: [Action Items – ETS Stakeholder Session – June 25, 2009](#).

Item 6 Next Steps and Wrap-Up

The IESO targeted July 3, 2009 to provide stakeholders with a preliminary report of the qualitative assessment of the potential reliability and operational and regulatory and legal implications of the applicable the options. Stakeholders will provide feedback and comments to the IESO within one week subsequent to the IESO posting of the material.