

# Rule Alignment With Our Neighbours

Presentation to

14th Annual Canadian Independent Power Conference

October 28-29, 2002

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# The Current Situation

- **Ontario's competitive electricity market only six months old**
- **There is significant electricity trade between Ontario and its neighbours, particularly the US**
- **Each neighbour currently has different rules**
- **FERC issued a NOPR intending to standardize many aspects of wholesale electricity market design in the US three months ago**
- **Alignment? Compatibility? Adoption?**

# Rule Alignment Realities

- **Electricity a provincial jurisdiction in Canada**
- **There are differing governance structures:**  
**Ontario: Electricity Act, the NEB, the OEB**  
**US: FERC, DOE, Public Services Commissions**
- **Despite this, Ontario's market rules and FERC's SMD pro-forma tariff do have some similarities in structure and content**
- **Electricity markets will continue to evolve**

# The U.S. Scene - FERC Rules

- **The third of a trilogy - started in 1996 (Rule 888)**
- **Continued in 1999 (Rule 2000) to remedy remaining undue discrimination and inefficiencies**
- **The Commission is reverting to mandatory measures and standardization, building on success to date**
- **Opposition can be anticipated from a number of states**

# **Main features of FERC's SMD Notice**

- **Revised, more far reaching, Transmission Network Access tariff**
- **Reliance on bilateral markets, supplemented by spot and ancillary markets**
- **Locational marginal pricing and family of rights (called congestion revenue rights)**
- **Monitoring and mitigation**
- **More proactive planning authority**
- **Resource adequacy requirements**

# Two-Year Timeline

- **Finalize the Rule by Dec 2002**
- **Start regional planning six months after Rule is issued**
- **Interim tariffs filed by July 2003**
- **Plans to form ITPs and SMD tariffs filed by Dec 2003**
- **Operation of ITPs and new tariffs by Sept 2004**

# Ontario's Market versus FERC's SMD?

- **Ahead of the curve on:**
  - **Transmission access provisions; Bridge to retail markets; Data security**
- **Some gaps to close on:**
  - **Market features: LMP, day ahead market; Mitigation measures; Resource adequacy provisions**
- **Good basis to build and expand on:**
  - **Planning authority; Inter-regional coordination**

# Implications on Ontario

- **Increased focus on completing our market features**
- **Increased urgency and priority to inter-regional coordination**
- **Tighter coordination with OEB, Government and transmitters on planning and on export tariff harmonization.**
- **Resource adequacy provisions has potential implications for LDCs**

# Alignment Opportunities

- **Some SMD elements are near/approaching Ontario's market design**
- **Base Ontario market enhancements on emerging “standard practice” (and possibly standard/available software)**
- **Harmonization of:**
  - **day-ahead markets**
  - **location based marginal pricing and congestion rights**
  - **resource adequacy mechanisms**

# Current Co-ordination Activities

- **May/02 entered into a coordination agreement with NYISO and ISONE to resolve seams issues and harmonize markets between the Northeastern US and Ontario**
- **Co-ordinating Committee established to advance resolution of issues and identify areas of increased effort**
- **Several activities underway with primary focus on scheduling protocols**
- **Discussions with MISO re similar arrangement**

# Market Evolution Program

- **Recognize need to complete a number of features of Ontario's market (e.g. day-ahead commitment market, locational pricing, etc.) and to capture the advantages of broader and more seamless regional participation.**
- **More explicitly recognize need to maintain resource adequacy as a principle objective**
- **More discussions at Nov 26 meeting of the Market Advisory Council**

# Rule Alignment Future

- **IMO will participate in FERC regulatory proceedings:**
  - **Joint reply with other ISOs**
  - **Possible separate submission**
  - **Advice and input to NERC and CEA submissions**
- **On-going coordination activities to resolve seams and seek to harmonize markets**
- **Market enhancements and changes to achieve more seamless regional participation**

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