

Notes of July 30, 2009 Conference Call

Dave Robitaille stated that the IESO's actions taken in response to the New York TLR meet the obligations laid out in the Market Rules and for system reliability. He went on to describe what the current situation is:

New York began issuing a TLR on flow gate 15700 in May. As a result, high numbers of transactions were being curtailed hour after hour (as high as 1,700 MW of curtailments in 1 hour) – mostly exports from Ontario to Michigan (sinking in PJM). When the amount of transactions that are forecasted to be curtailed on an hourly basis is unmanageable, the IESO pre-emptively removes transactions that we believe will fail so that it renders a more accurate pre-dispatch. We are fully compliant with NERC Standards these actions. When we take these manual actions, we try to mimic what will fail from a TLR perspective (not necessarily economic) with constant communication with NY.

A member asked if the curtailments were pro-rated. Dave stated that the IESO uses IDC to determine the transmission priority and curtails the lowest transmission priority first. If it comes to choosing between a number of transactions within the same transmission priority level, that selection is done on an economic basis.

Another member stated that the manual process used is prone to error. Why doesn't the IESO just limit the intertie? Dave stated that we don't want to create fictitious congestion for external issues. The member went on to state that the intertie is actually congested and that the IESO is making a call. Dave responded by saying that if we did limit the intertie, we would be cutting someone with firm transactions and then the curtailments would be solely economic (with no respect to transmission priority). The member asked if the concern was firm versus non-firm. The IESO stated that this was part of the concern, and that using the intertie limit would be taking us further away from the TLR process. The member went on to state that his concern was that the IESO was not following anything. He stated that the IESO should be doing just the TLR process. Dave stated that we get into operability issues at the time we see undesirable unit commitments. The member said that he is ok with the IESO's curtailments hour ahead, but he wants to see a market result. He wants to see how many transactions are done on firm versus non-firm transmission. Dave said that we would get those numbers for him.

Another member stated that the views of traders might change depending on how long this situation is expected to continue. Dave stated that we are talking with the NYISO but there is no good feel on how long the TLR will last. The member then asked if the IESO was working on a congestion buy-thru, like NY. The IESO stated they were not but initial discussions have started as a result of the FERC tariff. The member went on to state that he was not hearing that the ISOs are working together to make a better

solution. He asked about the Michigan phase shifters and what the IESO was doing to lessen the impact. Dave stated that the addition of the Calvert Cliffs CSP may not limit loop flow but will result in a better distribution in the constrained model – a more accurate representation of exports. Dave went on to state that the phase shifters are expected to be in service by this Fall and finally, he stated that the IESO is bettering the situation by managing the TLR curtailments pro-actively. The member stated that this did not provide him comfort.

A member stated that the fact that there is a FERC order shows that this problem is not going away. He suggested that the IESO should put something into the DSO that would mimic the NERC TLR process. Dave stated that this is a huge tool change and not feasible for what should be a temporary problem.

A member asked what order curtailments would occur if every transaction in a single bucket was priced the same. The IESO answered that this would be pro-rated to the best of the IESO's ability.

A member asked if when the IESO sees a TLR, are they proactively restricting imports or pulling units offline. The IESO stated that 2 hours out, when we cut exports, we hold imports to ensure that the export flow does not increase. A member asked for clarification using an example. He said that at 90 minutes out an export is curtailed. As a result, the 1 hour out predispatch will have decreased demand and lower prices. He asked if imports should be reassessed at this point. The IESO stated that they are being reassessed but the imports can only go up not down in amount.

FOLLOW UP AND CORRECTION: This practice has since been revised and where manageable the imports are being economically scheduled based on the new demand. If the number of imports decreases such that a large amount of exports have to be curtailed by the TLR process, the IESO will hold the imports with a MIN constraint.

It was asked if imports show up in IDC as part of the curtailments list. This member went on to state that the problem with this process is that it is not transparent. It is difficult for market participants to determine what to transact at in order not to be curtailed. For other processes we have things like NISL, shadow prices, etc. How can the IESO make this process more transparent? The IESO stated that one way is the level at which NY is calling the TLR (i.e. TLR3A or TLR5). The member stated that with the TLR, everyone takes the pain. With this process, there is no way to know if the participant was cut appropriately.

The IESO stated that changing the limit has many downstream impacts (such as payout in the TR market) and that this would not be sending the correct market signals. The congestion that would be a result of reducing the limit is regional congestion and the IESO does not price this congestion. A member said that the IESO has to tell the market where they are when curtailing economically otherwise they are looking at a black box.

A member requested that the IESO write down the process they use and look into the comments above. He went on to say that this treatment needs to be investigated further if the TLRs are not going away.

As a final question, a member asked if the 3 Michigan PARS were delayed to go in service because of the lack of operating agreement. The IESO said that this was correct.

The IESO will continue to assess this situation to ensure the current process is appropriate moving forward.