

IESO SENIOR MANAGEMENT UPDATE

To: Stakeholder Advisory Committee

Date: June 28, 2006

Subject: Electric Reliability Organization (ERO) Developments – Update

Information Item

Background

This document provides an update on the information presented at the May 24, 2006 Stakeholder Advisory Committee meeting on ERO developments.

ERO Application Process Update

The OEB acknowledged North American Electric Reliability Council's (NERC) application for recognition as the ERO and NERC's standards on May 12th. The OEB and Ministry of Energy will continue discussions on regulatory and recognition processes with NERC in the coming months. Formal recognition is not expected from the Ministry until the fall.

Federal Energy Regulatory Commission (FERC) staff produced a review of the existing NERC standards and requested industry input on the report by June 26th. The report recommended the use of a conditional approval option for standards along with simple approval and remand by FERC. The IESO file comments individually, with the Canadian Electricity Association (CEA), and with the Independent System Operator (ISO)/Regional Transmission Organization (RTO) Council which voiced concern over FERC's potential use of remand at this stage in the ERO development process. Furthermore, any actions by FERC should be consistent with the Bilateral Principles that recognize the need for international coordination. NERC's own filing was generally consistent with our view. FERC is holding a technical conference to discuss the NERC reliability standards on July 6th.

IESO Activities

The IESO has been active in providing information to market participants in the past month. A new ERO webpage (<http://www.ieso.ca/imoweb/ircp/ero.asp>) was released that consolidates the IESO's filings and external information on the ERO. In late May the IESO also released a quick take (http://www.ieso.ca/imoweb/pubs/training/QT22_ero.pdf) describing the coming ERO and its potential impact to Ontario.

The IESO held a successful ERO workshop for market participants on June 28th. The workshop included presentations from David Cook (VP and Counsel at NERC), Ed Schwerdt (Executive Director at Northeast Power Coordinating Council -NPCC), Doug MacCallum (Ministry of Energy), and Peter Fraser (OEB). Over fifty market participants attended this one day workshop.

At the workshop, the IESO proposed an increased effort in our communications and interfacing with market participants regarding developing standards. Also to better assist market participants in understanding their obligations under the NERC and NPCC reliability standards, the IESO will produce a guideline to clarify and cross-reference the entity functions described in the market rules with that of the NERC and NPCC reliability standards. Finally, the IESO will propose a unified document detailing the processes for amending and implementing market manuals. The proposal will be presented to market participants this fall.