

## Tracking Process

A formal tracking process has been developed and a report will be posted on the IESO external website. The website location and details will be announced shortly through the IESO's weekly communication. Starting with the Market Surveillance Panel Monitoring Report on the IESO-Administered Electricity Markets for the period November 2005 to April 2006 (released June 14, 2006) and including the latest report for the period May 2006 to October 2006 (released December 22, 2006), the recommendations have been tracked to ensure that the ongoing disposition of each recommendation is known. Work is also ongoing to extract previous recommendations from earlier Market Surveillance Panel (MSP) reports and they will also be included in the tracking document.

## Response to Latest MSP Recommendations

The IESO reviews and responds to recommendations related to IESO programs and processes identified in the [Market Surveillance Panel \(MSP\) report](#). This memorandum is a response to IESO related recommendations.

The latest MSP report made four recommendations with respect to IESO programs and processes. We have considered these recommendations and the status of work in these areas is described below.

### Recommendation 1 NYISO-IESO Scheduling Capability

"...we recommend that the system operators [IESO and NYISO] work together to maximize the scheduling capability of the intertie."

The MSP identifies that, over the period January to August 2006, the IESO applied a higher scheduling limit in its interface with New York than was applied by the NYISO, because the IESO was unaware that its counterpart had lowered its scheduling limit in January. It is not acceptable to either jurisdiction that this change went unnoticed for a period of many months.

The NYISO and the IESO have reviewed the reduced scheduling limit and have agreed to a method for communicating future changes. A change in the status of facilities impacting intertie security limits is communicated and joint approval is required.

Status – Closed

#### Recommendation 2 Treatment of Shared Activation of Reserve (SAR)

“The use of SAR has an effect similar to an emergency import in that it simply reduces demand. The IESO should consider treating SAR similar to emergency imports whereby demand is added back to the unconstrained schedule.”

The IESO agrees with this finding with respect to the impact on price during activation. A more detailed analysis however shows that it may not be appropriate to treat SAR similar to emergency imports given the dissimilar way the SAR is paid back relative to the emergency energy. In the case of emergency energy, the energy is paid back financially. With SAR however the energy is paid back in kind. With this payment approach the market is impacted twice for the same event. Market demand is increased during SAR activation and again during SAR pay back. As part of the stakeholder engagement plan “Operating Reserve Initiatives (SE-37)” the IESO and stakeholders will consider what if any action should be taken.

Status – Open To be addressed within [SE-37, Operating Reserve Initiatives](#)

#### Recommendation 3 Reflecting Transmission Contingencies on Price

“IESO should discuss with Market Participants (MPs) if a more appropriate treatment is applicable for the loss of transmission elements so that prices are more reflective of scarcity.”

Although the above is a direct excerpt from the report the detail of the discussion more appropriately describes the issue. The issue is not so much about the type of contingency i.e. transmission vs. generation, it is more about the type of generation affected by the contingency and whether or not its loss is recognized by the unconstrained pricing schedule (or market schedule). With the existing uniform design all resources that can be dispatched, regardless of transmission connectivity, can affect price. In the specific example discussed in the MSP report the affected generation was in fact generation that could immediately respond to IESO dispatch should the transmission be made available. It is important to recognize however that in other similar circumstances, such as nuclear or

thermal generation rejection, a transmission contingency will impact the market schedule given that post contingency a thermal or nuclear unit typically cannot respond to a dispatch should the transmission be made available. The IESO accepts the recommendation and have committed to discuss the appropriate treatment with MPs.

Status – Open Stakeholder engagement plan to be determined.

#### Recommendation 4 Coordination Mechanisms to Address Seams Issues

“The Panel continues to urge the IESO to address coordination mechanisms between markets, particularly seams issues.”

The IESO is always looking to improve the efficiencies of trading between jurisdictions. The IESO with support from the [Intertie Trading Standing Committee](#) have been exploring options that would improve trading efficiencies with our neighbours. Additional work with the neighbouring ISO's include a number of initiatives such as:

- a. Joint investigation of inter-regional dispatch solutions to eliminate congestion (PJM/NYISO/MISO/IESO)
- b. New trading protocols with MISO to improve transmission release process.
- c. Ongoing discussion with NY to improve existing protocols to reduce transaction failures and other market inefficiencies.

At this time these are exploratory with the full benefits and timing not yet fully defined. Nevertheless, the findings highlight again the importance of resolving seams issues between markets. With respect to the recommendation itself, this is an ongoing activity that will not end at the conclusion of a particular activity. The Intertie Trading Standing Committee to continue to pursue resolution to seams issues and improved intertie efficiencies.

Status – On-going review at Inter-tie Traders Sub-Committee