

**Revision March 7, 2008: The schedule in section 5 has been updated for Initiative 4 - adding to the market schedule the MW amount associated with Shared Activation of Reserve. In addition, Initiative 5 – Exporting Operating Reserve has been removed from this plan and will be developed as a separate stakeholder engagement initiative SE-60 - Inter-market Trading of Operating Reserve. This plan will be posted for stakeholder comment on March 27, 2008 at: <http://www.ieso.ca/imoweb/consult/activeComplete.asp>**

### I. Introduction

The following **four** Operating Reserve (OR) initiatives have been recently identified that the IESO believes have linkages and require a coordinated effort to address:

1. Reducing the Ontario non-synchronized ten-minute OR requirement by 100 MW of Regional Reserve Sharing (RSS). The current reduction allowed is 50 MW. This increased reduction is a result of proposed changes to the Northeast Power Coordinating Council (NPCC) RSS program. No market rule change is needed for this. For more information, see Addendum 1.
2. Reducing the synchronized ten-minute OR requirement by 100 MW of RSS. This also is a result of proposed changes to the NPCC RSS program. A market rule amendment (MR-00332) would be required to allow the IESO to reduce the synchronized ten-minute OR requirement by 100 MW. For more information, see Addendum 2.
3. Allowing dispatchable loads to provide either synchronized or non-synchronized ten-minute OR. Currently, dispatchable loads are not permitted by NPCC standards and the market rules to provide synchronized ten-minute OR. This change is also a result of proposed NPCC standard change. A market rule change (MR-00333) would be required to allow dispatchable loads to provide synchronized 10-minute operating reserve. For more information, see Addendum 3.
4. Adding to the market schedule the MW amount associated with Shared Activation of Reserve (SAR). This proposed change was a recommendation in the December 2006 Market Surveillance Panel Report. For more information, see Addendum 4.

### II. Stakeholders

Electricity reliability and the market impacts of these initiatives are of interest to all stakeholders. In addition, dispatchable loads and generators provide OR and consumers pay the cost of procuring OR.

### III. Stakeholder Engagement Goals and Objectives

#### Goal

The goal of this stakeholder plan is to provide stakeholders the opportunity to provide feedback to the IESO on the impact of this change on their business and on the market.

## Objective

1. To provide stakeholders the opportunity to provide feedback on this stakeholder plan.
2. To provide stakeholders the opportunity to provide feedback on all initiatives, either individually and/or how they impact one another.
3. To minimize adverse effects on market participant operations and processes to the maximum extent possible. Any changes as a result of these initiatives will provide an opportunity for market participant to be aware of changes/issues so to minimize the impacts on their business.

## **IV. Stakeholder Engagement Approach and Methods**

The implementation of this stakeholder engagement plan will be in accordance with the IESO's approved stakeholder engagement principles.

Web-based postings will provide all interested stakeholders with an efficient low-cost method to be informed of the proposed changes with the opportunity to communicate their views via e-mail to the IESO ([stakeholder.engagement@ieso.ca](mailto:stakeholder.engagement@ieso.ca)). All stakeholder input, including dissenting views, will be posted on the IESO website.

Feedback will be posted on all stakeholder comments and how this input was considered and taken into consideration.

The following approaches will be used for the identified initiatives:

### Initiatives 1, 2 and 3 - NPCC Changes

The [Technical Panel](#) would be the main stakeholder consultation body for initiatives 1, 2 and 3. The Panel has history on the Regional Reserve Sharing issue and the changes will be sanctioned by NPCC.

The Technical Panel has the authority to recommend market rules to the IESO Board. Initiatives 2 and 3 require market rule changes and will follow the rule amendment process and the stakeholder consultation processes associated within the market rule amendment process. This includes the opportunity for web posting of rule proposals and requests for stakeholder review and input. Stakeholders have the opportunity to contact their Technical Panel representative directly which can be found at: <http://www.ieso.ca/imoweb/governance/TechPanelMembers.asp>.

Initiative 1 does not require a market rule change and the Technical Panel would be providing advice to IESO management on the change from 50 to 100 MW.

This stakeholder engagement approach will also draw upon other stakeholder groups as appropriate e.g. [Dispatchable Loads Working Group](#), [Market Pricing Working Group](#).

In addressing these initiatives the IESO expects to conduct the following analysis:

- What is the NPCC rationale for the proposed changes? Assessment of the reliability and technical impacts are key. What are the criteria for balancing the expected reliability impacts and expected market impacts?
- Previous analysis of regional reserve sharing reliability and price impacts under MR-00299 should be reviewed.

- What is the timeline for NPCC approval and implementation of these changes?
- Is there a reliability impact to reducing the synchronized reserve requirement rather than the reducing the non-synchronized reserve requirement? Why is the IESO intending to reduce the synchronized reserve requirement rather than the non-synchronized reserve requirement?
- What has been the performance of dispatchable load facilities providing operating reserve, including activations, relative to generation facilities?
- The context for the NPCC changes should be reviewed, including identifying the operating reserve requirements in other reliability regional councils.
- What resources are actually used when the IESO activates operating reserve?
- What will be the market sector impacts of allowing dispatchable loads to provide synchronized operating reserve?
- How and to what extent are Shared Activation of Reserve and Regional Reserve Sharing scheduled and/or used?
- Does dispatchable load participation in Ontario Power Authority demand response programs affect dispatchable load participation in operating reserve markets?

The IESO may conduct additional analyse based on feedback from stakeholders.

#### Initiative 4 - Shared Activation of Reserve

The [Market Pricing Working Group](#) (MPWG) will be the main stakeholder consultation body for initiative 4. The Market Pricing Working Group was the stakeholder forum that developed Emergency Control Action Pricing changes which involved adding the associated MW amounts into the market schedule.

The stakeholder engagement approach will be feedback — with request for stakeholder review and written feedback. The stakeholder engagement method to be employed will include a web-based posting with a request for written comments via e-mail.

## V. Decision Making Process

<b>Stakeholder Engagement Schedule</b>	
For a detailed schedule, see Table 2 below	
<b>Activity</b>	<b>Target Date</b>
1. Post draft stakeholder plan and addendums for comments.	Completed mid March, 2007
2. Comments due on stakeholder plan and addendums.	Completed March 29, 2007
3. Post final stakeholder plan.	Completed April 2, 2007
4. Technical Panel discussions on Initiatives 1, 2 and 3. This includes consultation with other stakeholder forums and the opportunity for web posting of the rule proposals and requests for general stakeholder review and input.	Completed*
5. Initiative 4: MPWG to review current treatment of inadvertent energy and Market Surveillance Panel Recommendation on Market Schedule Treatment of SAR.	Completed October 29, 2007
6. Initiative 4: MPWG to discuss the analysis and recommendations regarding changing the treatment of Ontario receiving SAR.	Completed February 7, 2008
7. Initiative 4: MPWG discussion on the analysis of IESO providing Emergency Energy and SAR. Review and discussion of IESO recommendation.	August 19, 2008
8. Initiative 4: Technical Panel meetings if a market rule change is needed.	September 2008 to December 2008
9. Initiative 4: Possible IESO Board meeting(s) for consideration of Market Rule amendment SAR	Do be determined
10. Update manuals as required.	Do be determined

**\* Initiative 1, 2 and 3 are now complete. For milestone dates, see prior version of Stakeholder Engagement Plan.**

## Addendum 1: Reducing the non-synchronized ten-minute OR requirement from the current 50 MW to 100 MW.

The Northeast Power Coordinating Council, Inc. (NPCC Inc.) is the international Regional Reliability Organization (RRO) for Northeastern North America. Its purpose is to promote the reliable and efficient operation of the interconnected bulk power systems in Northeastern North America through the development of regional reliability standards. As a member of NPCC, the IESO is required to operate in accordance with all applicable reliability standards.

In January 2006, NPCC implemented a Regional Reserve Sharing (RRS) program that allows for the sharing of non-synchronized ten-minute operating. The objective of RRS is to improve regional reserve market efficiency in a manner that maintains reliability.

Subject to availability and deliverability of the associated energy, the current framework of the RRS program allows IESO to:

- Count a contribution of 50 MW towards its non-synchronized ten-minute reserve requirement, thereby reducing its domestic requirement of non-synchronized ten-minute reserve by 50 MW; and
- Share 100 MW of ten-minute operating reserve following a contingency. The energy associated with the RRS program can only be utilized after Shared Activation of Reserve (SAR - see Addendum 4) has been activated and can be retained for 60 minutes after SAR is terminated.

Although the Market Rules allow IESO to reduce the non-synchronized ten-minute OR requirement by up to 100 MW, currently, that requirement is reduced by only 50 MW. The original market rule amendment to introduce RRS (MR-00299) was recommended by the Technical Panel and approved by the IESO Board in late 2005. At that time, the Panel members supporting MR-00299 expressed concern that the potential for a move to a 100 MW reduction in operating reserve requirement could negatively impact domestic supply and requested that any such move should be made cautiously and in consultation with stakeholders.

The NPCC's Regional Reserve Sharing and Shared Activation of Reserve program can be found at: <https://www.npcc.org/publicFiles/reliability/criteriaGuidesProcedures/new/c-38.pdf>

## Addendum 2: Reducing the synchronized ten-minute OR requirement by 100 MW

NPCC is expected to approve criteria that would allow participating ISO's participating in Regional Reserve Sharing (RRS) to reduce their synchronized ten-minute OR requirement by 100 MW.

A market rule amendment (MR-00332) would be required to allow the IESO to reduce the synchronized ten-minute OR requirement by 100 MW. If approved, the IESO, when participating in the RRS program, would be allowed to reduce either the synchronized or non-synchronized ten-minute reserve requirement by 100 MW.

The IESO supports these changes specified in Initiatives 1 and 2 because they are likely to improve market efficiencies by taking advantage of regional diversity and expanding the use of available supply resources within the broader electricity markets of the Northeast without adversely affecting reliability. Also, there are no incremental IESO systems costs associated with the proposed changes to the RRS

program; the proposed changes can be accommodated in the tools/methods currently used to administer the RRS program.

#### Addendum 3: Dispatchable loads providing synchronized ten-minute OR

Current NPCC criteria only allow generation facilities to provide synchronized ten-minute operating reserve. NPCC is expected to approve a change that would also allow load facilities to supply synchronized ten-minute operating reserve.

To implement the NPCC's change, a market rule change would be required to allow dispatchable loads to provide synchronized ten-minute operating reserve (MR-00333).

#### Addendum 4: Shared Activation of Reserve (SAR) amount to be added to market schedule

Participating ISO's may provide operating reserve through shared activation of operating reserve prior to initiating regional reserve sharing programs.

The IESO may share with nearby systems in NPCC and PJM the activation of its ten-minute operating reserve to respond to contingency events in accordance with agreements. Similarly, such systems may activate their operating reserve when requested to meet contingency events for the IESO control area in accordance with agreements. Such shared activation of operating reserve is solely for the purpose of maintaining the reliability of interconnection systems and shall not alter the operating reserve requirements of the IESO.

The Market Surveillance Panel (MSP) published a report covering the period May 2006 – October 2006, on December 13, 2006, (<https://www.npcc.org/publicFiles/reliability/criteriaGuidesProcedures/new/c-38.pdf>)

The MSP is of the view that SAR as a means of incremental supply should be treated in a manner that reflects the scarcity conditions in the market. The Panel's preference is that these emergency supplies not affect the hourly Ontario energy price (HOEP).

This initiative is to discuss with stakeholder the impacts of adding the MW amount of SAR into the market schedule in the same way that the MW amount of applicable Emergency Control Actions are added (change implemented under MR-00296).