

August 18, 2008 Revision – Schedule updated in Section VI.

I. Summary

The IESO-administered market currently permits importing of operating reserve from neighbouring jurisdiction. Exporting of operating reserve is not permitted. Exploration of allowing the exporting of operating reserve is an outstanding commitment from prior to market commencement. For reciprocity reasons, importing of operating reserve will also be examined. Addressing this issue is a priority for IESO and the Market Pricing Working Group members.

The introduction of intra-market trading of operating reserve is expected to impact the Ontario electricity market economic efficiencies, operating reserve and energy prices. An increase in operating reserve trade with neighbouring jurisdiction could increase liquidity and competition in the Ontario electricity market. Any recommendations resulting from this initiative will maintain Ontario and regional reliability standards.

Electricity reliability, impact on operating reserve price and other market impacts of these initiatives are of interest to all stakeholders. The exporting and importing of operating reserve will be of interest to traders who conduct transactions between neighbouring electricity markets and dispatchable consumers and generators who provide operating reserve through bids and offers. Impacts on reliability and operating reserve price will be of interest to consumers.

II. Introduction

The IESO administers a market for three types of operating reserve (OR).

- 10-minute synchronized (or spinning)
- 10-minute non-synchronized (or non-spinning)
- 30-minute

A market clearing price for each class of OR is set based on the requirement for each class and the offers submitted. Procurement of all three types of OR is co-optimized with the procurement of energy.

Current market rules allow the IESO to obtain non-spinning OR from commercial imports. The IESO-administered markets do not permit the commercial exporting of OR from Ontario to neighbouring jurisdictions.

Exporting of OR could be a significant market change with challenges regarding offers, scheduling, and activations and may involve reciprocity issues with neighbouring electricity jurisdictions. The level of changes and reciprocity issues will be better understood upon further investigation and discussion with stakeholders.

Key Issues

Some key issues identified to date are listed here. Additional issues may be uncovered during this stakeholder engagement initiative.

- Reliability standards need to be met and not compromised as a result of implementing inter-market trading.
- Many aspects need to be investigated to avoid unintended market outcomes.
- New tools or modifications are likely to be needed along with the appropriate changes to the market rules.
- Good co-ordination is needed between the IESO, market participants and neighbouring electricity markets.

III. Stakeholders

Electricity reliability, impact on OR price and other market impacts of these initiatives are of interest to all stakeholders. The exporting and importing of OR will be of interest to traders who conduct transactions between neighbouring electricity markets and dispatchable consumers and generators who provide OR through bids and offers. Impacts on reliability and OR price will be of interest to consumers.

IV. Stakeholder Engagement Goals and Objectives

Goal

The goal of this stakeholder initiative is to provide stakeholders the opportunity to provide input to IESO staff on the changes needed to allow exporting and increased importing of OR and the impact of these changes on their business and on the market.

Objective

1. To offer stakeholders the opportunity to identify barriers, and to engage in dialogue around potential solutions and their impacts.
2. To minimize adverse effects on market participant operations and processes to the maximum extent possible.
3. To develop recommendations to address the issues and barriers identified.

Some of the area's requiring discussions include:

- Other market(s) within North America which permit the exporting of OR;
- The level/mode of exporting OR activity in the identified market(s);
- How commercial transactions of OR between markets are evaluated and scheduled relative to other cross-border transactions such as energy imports and exports;
- How cross-border OR is activated;
- Impact on available transmission capacity with neighbouring electricity markets; and
- Generic and Ontario-specific institutional barriers to commercial trading of OR between markets. Institutional barriers would include government trade policies, regulatory requirements, ISO policies, existing market rules and requirements etc.

V. Stakeholder Engagement Approach and Methods

This stakeholder engagement will use the [Market Pricing Working Group](http://www.ieso.ca/imoweb/consult/mep_mp.asp) (MPWG –see http://www.ieso.ca/imoweb/consult/mep_mp.asp) as the main forum to solicit input and engage in dialogue around a potential solution and the impacts. Those who are interested in participating and are not currently members of the MPWG please notify us at: stakeholder.engagement@ieso.ca.

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.

The recommendations will be presented to the Stakeholder Advisory Committee for advice prior to the decision of the Board.

Transparency on how stakeholder input is used in decision making will be provided by timely feedback indicating what the stakeholder input was and how it was considered, or not considered in the process.

The implementation of this stakeholder engagement plan will be in accordance with the IESO's approved [stakeholder engagement principles](#) (attached –see addendum).

This stakeholder engagement plan will be subject to review and update as the process evolves and stakeholder comments are incorporated, and as revisions are warranted.

Stakeholder Advisory Committee

All stakeholder input will be considered prior to finalizing recommendations. The recommendations will also be provided to the Stakeholder Advisory Committee, providing all stakeholder sectors with the opportunity to communicate their views and positions directly to the IESO Executive/Board of Directors in advance of IESO Board approvals.

VI. Decision Making Steps and Schedule of Activities

IESO Sponsor

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Stakeholder Engagement Schedule		
Activity	Expected Actions	Target Date for Completion
1. Post and communicate the stakeholder engagement plan for feedback from stakeholders.	Stakeholder written feedback	April 3, 2008
2. Deadline for feedback from stakeholders on the stakeholder engagement plan.	IESO to post feedback from stakeholders	April 17, 2008
3. Post revised stakeholder engagement plan along with IESO response to stakeholder feedback.	IESO to post revised stakeholder engagement plan	April 21, 2008
4. Engage the Market Pricing Working Group in dialogue around the issues, impacts and outcomes.	Dialogue - Stakeholder input/discussion	March to May , 2008
5. Deliberate recommendations at the Market Pricing Working Group.	Deliberation - Stakeholder input	Early June, 2008
6. Develop and publish recommendations for discussion and stakeholder input.	Deliberation - Stakeholder written feedback	Early June, 2008
7. Deadline for written comments on recommendations.	Deliberation - IESO to post written feedback from stakeholders	June 30, 2008
8. Publish recommendations incorporating stakeholder input	Deliberation - IESO to post revised recommendations	Mid August 2008
9. Present recommendations to the Market Pricing Working Group.	Deliberation - recommendations presented	Mid August, 2008
10. Present recommendations to the Stakeholder Advisory Committee for advice to the Board.	Deliberation - Input requested from sector members	September 5, 2008
11. Provide recommendation to IESO Board. Post Board decision, including rationale and how stakeholder input was taken into account in the decision	Decision by Board	Fall 2008
12. Develop stakeholder engagement plan if decision by Board is to proceed to the implementation phase. This would likely require a larger stakeholder forum than the Market Pricing Working Group	IESO to develop and post stakeholder engagement plan	To be determined

Stakeholder Engagement Principles



Stakeholder engagement principles guide the conduct of both the IESO and stakeholders to help ensure the engagement is conducted with integrity towards an efficient and effective process. All stakeholders are provided with an opportunity to be informed about IESO activities and participate in issues and opportunities that affect them. Stakeholders' perspectives are used to inform decision-making, the responsibility for the decision rests with the IESO.

The Principles of Stakeholder Engagement:

1. A **stakeholder engagement plan** will be developed for each significant issue or opportunity. The plan will define the objective, stakeholders to be engaged, method of engagement, schedule of expected activities and decision timeframes.
2. **Transparency and openness** of IESO's stakeholder engagement process and IESO decision making. The IESO will communicate with its stakeholders in an open and honest way. The IESO will communicate to its stakeholders the decision, the rationale for the decision and how their input was taken into account in the decision.
3. **Inclusive and adequate representation of all stakeholders.** The IESO will encourage the participation of relevant stakeholders, that is, those who have an interest in the action or decision under consideration, as well as those who would be affected by it or who may perceive they would be affected by it. Where practical, a variety of engagement methods will be offered so the full range of stakeholders may effectively participate in some way. Effort will be made to involve effective representatives of important relevant stakeholder groups, especially those that may have a tendency to remain silent or uninvolved.
4. Stakeholders will be provided with opportunities for **meaningful dialogue and input** into IESO decision making. The IESO will remain open to consider input that can influence recommendations and decisions. Stakeholder views will be communicated to decision makers prior to decisions being taken.
5. An **accessible and efficient stakeholder engagement process.** Varying levels of stakeholder engagement activities will be designed based on the nature of the decision, the significance of the issue or opportunity to stakeholders and the need for efficiency to assure engagement objectives can be met in a timely and cost-effective manner.
6. The IESO will work with its stakeholders to foster an environment of **sincerity, and mutual trust and respect.** All participants in an engagement are treated with respect and the forum is conducted in a fair, orderly, efficient manner. All participants in an engagement will strive to be informed about the issue or opportunity, to communicate their views and to support others.
7. **Neutrality of IESO.** The IESO will make efforts to understand the values behind the diversity of views presented by various stakeholder groups.
8. The IESO will provide stakeholders with **complete, accurate, timely and comprehensible information** they need to effectively participate in engagement activities. The information will be presented in a manner that the stakeholders can readily understand and at a time that allows for adequate review and consideration.