

On January 12, 2010, in compliance with the July 16, 2010 Commission Order, the NYISO submitted a status report addressing its progress, to date, in developing long-term comprehensive solutions to the occurrence of Lake Erie region loop flows. The NYISO report was prepared as a collaborative effort by the NYISO and its neighboring system operators including the IESO. The report recommends the implementation of a series of “market” solutions, including: (a) Buy-Through of Congestion, (b) Congestion Management/Market-to-Market Coordination, (c) Interface Pricing Revisions, and (d) Interregional Transaction Coordination. In terms of a “physical” solution, the report also recommends the implementation of Phase Angle Regulator (“PAR”) devices on the free flowing ties between Ontario and Michigan. The operation of these devices will better align actual power flows to the scheduled flows and thereby help to reduce loop flows around Lake Erie.

III. COMMENTS

Lake Erie loop flows² are highly volatile in nature and, according to the joint study conducted by the Midwest ISO (“MISO”) and PJM Interconnection LLC (“PJM”)³, can swing over 1,000 MWs in a couple of hours. The study also noted that for the study period, the flows ranged between 1,500 MW in the counter-clockwise direction to 500 MW in the clockwise direction with a median circulation of about 640 MW in the counter-clockwise direction (i.e., PJM-NYISO-IESO-MISO). Lake Erie Circulation is an issue that has existed for many years, affecting all organizations in the northeast region of the Eastern Interconnection, and as such the IESO continues to recommend that the Michigan-Ontario PARs be placed in service as soon as possible.

² Lake Erie loop flow is defined as the difference between actual flow and schedule flow on the interfaces of the four markets around Lake Erie (MISO, IESO, NYISO, and PJM).

³ **Investigation of Loop Flows Across Combined Midwest ISO and PJM Footprint**, released on May 25, 2007

The IESO believes that the implementation of the Michigan-Ontario PARs is critical to the control of loop flows in the region and should be brought into service as soon as possible.

Although the increase in phase shifting capability will not eliminate unscheduled loop flows, the IESO believes that the installation of the Michigan-Ontario PARs is essential to reduce such unscheduled flows. Initiated in 1998 and initially installed in 1999, these devices were part of an effort to both, increase the import/export capacity of the Ontario-Michigan interconnection and also to provide a means to manage loop flows through Ontario often referred to as Lake Erie Circulation (“LEC”).

In combination with a controllable DC interconnection with Quebec and phase angle regulators on its interconnections with Minnesota and with Manitoba, the Michigan–Ontario PARs will provide the IESO with the ability to better control the flows across all of its interconnection interfaces, and to thereby manage the unscheduled circulation flow across the top of Lake Erie in particular.

The IESO continues to believe that the optimum “physical” solution to the Lake Erie loop flow situation is to bring the PARs at Ontario’s interface with Michigan into service and to operate them so as to control the interface flows to schedule and as such, Hydro One Networks Inc. (“HONI”), as the transmission owner, has completed all physical work associated with the Ontario portion of transmission that would eventually connect to the PARs⁴. The IESO anticipates that the PARs, once operational, would enable a significant reduction of much of the circulation flow around Lake Erie under most of the conditions that the IESO has observed to date.

⁴ The IESO expects operational agreements to be in place between all entities concerned and the PARs to be operational by the end of 2010.

The IESO will now address responses requested specifically of it by the Commission:

A. Describe the tariff mechanisms or other procedures which address loop flows caused by transactions between entities located outside of the Midwest ISO, PJM, and IESO.

There are no “tariff” mechanisms within the IESO-administered markets which address loop flows caused by transactions between entities located outside of the Midwest ISO, PJM or the IESO. The IESO currently deals with Lake Erie loop flows in the following manner:

1. The IESO estimates expected hourly “uncontrolled” loop flows.
2. The IESO coordinates with adjacent Regional Transmission System Operators (“RTO”) with respect to critical flowgates outside Ontario to remove inter-jurisdictional transactions in Ontario’s market which are otherwise expected to be curtailed by Transmission Loading Relief (“TLR”) actions by these adjacent RTOs.
3. Consistent with the existing Commission approved NERC TLR reliability standards and the curtailment practices and procedures set forth in the associated business standards developed by the North American Energy Standards Board (“NAESB”), the IESO will invoke TLRs to curtail transactions as necessary to address expected or actual congestion across the affected Ontario flowgates.
4. The IESO also participates in the Lake Erie Emergency Re-dispatch (“LEER”) agreement to facilitate emergency re-dispatch among Balancing Authorities surrounding Lake Erie (MISO, NYISO, IESO and PJM) to avoid the shedding of firm customer load.

The IESO has observed a significant increase in the use of TLR procedures over the past few years and in absence of the PARs, this is the primary mechanism that the IESO and its neighbours have to “physically” manage congestion caused by unscheduled flows into/through their control areas.

B. In a report issued by PJM and made available on its website (at www.pjm.com/~media/committees-groups/committees/mic/20090910/20090910-item-07-m2m-calculation-error.ashx), PJM states that it implemented corrections for daily production calculations in its congestion management models on June 18, 2009. PJM states that it did so because several generating units were not correctly updated in the model. Please describe how the updated model has affected loop flows in your control area.

The IESO believes that PJM’s updated models have not affected the loop flows through Ontario to any measureable extent (i.e. has not been discernable by the IESO).

IV. CONCLUSION

The IESO thanks the Commission for the opportunity to respond to questions raised by the Commission and respectfully requests that the Commission urge all parties concerned to move ahead with the implementation of the Michigan-Ontario PARs as part of the comprehensive and long-term solutions being developed towards managing congestion and loop flows around Lake Erie.

Respectfully Submitted,

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August 13, 2010