

Memorandum

To: Technical Panel

From: Jessica Savage

Date: July 13, 2007

Re: **MR-00332-R00: Operating Reserve (OR) - Reducing Synchronized OR Requirement due to Regional Reserve Sharing Program (RRS) Changes**

Attached for Technical Panel review and consideration are the following documents:

- Amendment proposal MR-00332-R00 – OR: Reducing Synchronized OR Requirement due to RRS Changes (refer to IESOTP 203-5b);
- Draft cost-benefit Analysis (CBA) for Reducing Synchronized OR Requirement due to RRS Changes (refer to IESOTP 203-5c);
- Written submission from OPG (IESOTP 203-5d);
- Written submission from TransCanada (IESOTP 203-5e); and
- Written submission from APPRO (IESOTP 203-5f).

At its meeting on June 12, 2007, the Technical Panel reviewed a previous draft amendment proposal (historical document IESOTP 202-8b) and the associated draft cost benefit analysis (historical document IESOTP 202-8c). The cost-benefit analysis was revised as follows, based on stakeholder and Panel feedback:

- Estimates of the impact on reliability;
- Comments on the impact on dynamic efficiency; and
- Re-estimation of the potential efficiency gains assuming downward sloping OR offer curve as opposed to a constant marginal cost offer curve.

The attached cost benefit analysis (IESOTP 203-5c) shows these revisions “tracked” against the version reviewed by the Panel on June 12th.

The Technical Panel recommended that the documents be posted for stakeholder review and comment for a three-week period, as per the normal process. The IESO granted a one-week extension for the comment period at the request of a stakeholder. The comment period closed on July 12, 2007 and the IESO received three written submission – the attached written submissions from OPG (IESOTP 203-5d), TransCanada (IESOTP 203-5e), and APPRO (IESOTP 203-5f).

The attached draft amendment proposal (IESOTP 203-5b) has also been updated such that the stated estimates of the efficiency gains are consistent with the revised cost-benefit analysis. These changes are highlighted in yellow for ease of reference.

Update on Generic Market Issues

At its meeting on June 12, 2007, the Technical Panel reviewed the draft IESO positions on the five generic operating reserve market issues (refer to historical documents IESO 202-7a/b). The Panel was asked to provide, in writing, any issues of disagreement on the IESO's position. The IESO did not receive any written comments from Panel members or any other stakeholders.

As stated in the IESO position paper, the resolution of some of the generic market issues would require broader stakeholder consultation as they could result in fundamental changes to the IESO-administered markets. Such consultations and potential for future long-term market changes should not prevent forthcoming and incremental improvements from being considered.

Next Steps

Although this item was originally scheduled as a voting item for the July 24th TP meeting, the IESO is postponing the TP vote until the August 28th TP meeting. This will allow time for the IESO to consider and respond to the stakeholder comments received. Going forward the IESO will:

- Solicit Working Group and Technical Panel feedback on the stakeholder comments and IESO initial responses and proposal for any additional analysis at their respective meetings on July 19 and July 24,
- Publish IESO responses and any additional analysis, by August 15th;
- Solicit Working Group and Panel feedback on the published responses and additional analysis at their respective meetings in August.

The IESO would then request TP recommendation on the amendment proposal MR-00332-R00 at the Panel meeting in August 28th, 2007.

Yours truly,

Jessica Savage
Market Evolution

Attach.