

Memorandum

To: Market Pricing Working Group
From: John MacKenzie, Market Evolution
Date: June 3, 2007
Re: **Recommendations to Close Action Items AI 36-2, AI 45-4 1, AI 48-5**

AI 36-2:

Do other electricity market and system operators use peak or average demand forecasts?
Information on the demand forecasts used for price determination is also required.

At the Market Pricing Working Group meeting on March 1, 2007, during a discussion on the December 2006 Market Surveillance Panel Report, a member asked if other electricity market and system operators use peak or average demand forecasts. The IESO committed to investigate (refer to action item 36-2).

On May 9, 2007, the IESO reported that New York ISO uses peak demand forecast and that the IESO would following up with other markets in the north-east. Information on the demand forecasts used for price determination was also requested.

Through conversations with the ISO representatives on the Northeast Power Coordinating Council's (NPCC)¹ CO-1 Working Group on Control Performance, the IESO has learned that all NPCC members use a peak demand forecast for both scheduling and price determination. PJM, while not a member of NPCC, also uses a peak demand forecast for both scheduling and price determination.

Recommendation: AI 36-2 be closed.

AI 45-4.1:

IESO to report back to the MPWG on the following with respect to OPA DR programs:

1. Should expected DR3 programs activations were used to consider generator and transmission outages?

The IESO believes that it is not appropriate, at this time, to include DR3 program activations and resulting reduction in demand when considering generation and transmission outages.

¹ NPCC members are Hydro-Quebec TransEnergie, IESO, New York ISO, ISO-New England, and New Brunswick System Operator.

When the IESO has more experience with the DR3 program, a review of whether to include the program activations in the consideration of outages would be reviewed..

Recommendation: AI 45-4.1 be closed.

AI 48-5:

IESO consider developing criteria for integrating expected DR1 reduction into the IESO market demand forecasts.

The IESO will not be incorporating expected DR1 reductions into the demand forecasts. The DR1 program is voluntary and the participation rate is ~30%. The IESO believes it is not appropriate to count on the voluntary MW reductions for demand forecasting purposes.

Recommendation: AI 48-5 be closed.

Yours truly,

John MacKenzie