



Power to Ontario. On Demand.

To: Stakeholder Advisory Committee
Date: November 1, 2006
Subject: **ERO Standard Setting & Enforcement - Update**

Information Item

FERC Standards Review:

The U.S. Federal Energy Regulatory Commission ('FERC' or 'the Commission') issued its Notice of Proposed Rulemaking ("NOPR") on October 19th. FERC is recommending approval of 83 of the 107 NERC reliability standards in its proposal that is open for industry comment until late-December 2006. Twenty-four standards remain 'pending' at the Commission. These 24 standards will continue to be 'good utility practices' under the U.S. Open Access Transmission Tariff terms and enforceable where applicable in other jurisdictions. After receiving industry comments on the NOPR, FERC will issue its final rule early in 2007 allowing the approved standards to become enforceable in the United States by June 1, 2007.

In general, the proposal has met the IESO's expectations and the Commission has incorporated many of the comments raised by the IESO in this proceeding. Most significantly, the Commission accepted the IESO's position to approve most of the standards considering the transition in the U.S. and the potential impact of remand on the industry at this time. As such, the Commission is not proposing to remand any standards and has accepted far more standards than many anticipated.

The next step is for the IESO and others to review FERC's proposal and provide comments on their assessment. The NOPR process also permits regulators in other jurisdictions to review and comment on the findings as they feel appropriate. The IESO will work with the Canadian Electricity Association, NPCC, and the ISO/RTO Council to provide joint comments as appropriate. The IESO will also utilize the new IESO Reliability Standards Development Stakeholder Program to engage market participants in the reviewing the NOPR.



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Ontario Remand:

The IESO continues to work with staff at the OEB and Ministry of Energy to move remand legislation forward prior to the summer of 2007.

Technical Panel Actions:

Market Rule Amendment Proposal MR-00326 was submitted by OPG based on an absence of a remand process for NERC standards in Ontario. As the Ontario Energy Board lacks remand authority through legislation, OPG proposed an interim process whereby all reliability standards are individually adopted in the Ontario market rules, thus would be subject to review by the Ontario Energy Board under the Ontario market rule amendment process.

The Technical Panel considered the matter and voted to support legislative remand for the Ontario Energy Board but deferred consideration of the proposal until January 2007.

New IESO Reliability Objects:

Ontario Regulation 452/06 adds a new reliability object for the IESO under the *Electricity Act, 1998* as follows... "[t]o establish and enforce standards and criteria relating to the reliability of transmission systems."

We do not anticipate any new activities arising from the change, however this new object provides more clarity for the IESO to continue its responsibilities in directing the operation of the grid in Ontario. The IESO will continue to establish Ontario standards when needed, such as with the implementation of high-risk operating conditions in Ontario during lightning storms.