ieso
Power to Ontario.
On Demand.

# Export Transmission Service (ETS) Tariff Study

June 25, 2009

# Recap of ETS Tariff Work to Date

- Engaged in discussions with neighbours regarding reciprocal treatment of ETS tariff, including ultimate elimination.
- Results of discussions to-date not overall favourable, but informed ETS tariff options and study approach.
- ETS design and rate options considered:
  - Option 1 – Status Quo (baseline scenario),
  - Option 2 – Equivalent Average Network Cost ($/MWh)
  - Option 3 – Reciprocal Tariff Treatment
    - reciprocal elimination of all ETS tariff
    - reciprocal treatment of ETS tariff based on avg. embedded cost, except New York
  - Option 4 –Unilateral Elimination of Ontario's ETS tariff
    - in all hours
    - off-peak hours only (status quo during on peak hours).

# Recap of ETS Tariff Work cont...

- Assessed and analysed the potential impact of ETS tariff options with respect to HOEP, export revenues, export and import volumes, and market efficiency (i.e., total consumer and producer surplus).
- Reviewed and analyzed potential impacts on air emissions, given state of current and emerging emissions policies.
- Considered potential impacts on surplus base-load generation (SBG) events (e.g., magnitude, duration and timing).
- IESO is also in the process of completing its review of implementation issues that will better inform our assessment and determination of appropriate ETS tariff for Ontario.

- The focus of today session is on the preliminary study's findings and conclusions.

# Determining Appropriate ETS Tariff

- Review potential impacts of each ETS tariff option and propose an "appropriate" tariff design, taking into consideration:
  - simplicity of implementation (i.e., consider implementation challenges and requirements, including regulatory and cost implications);
  - consistency with rates in neighbouring markets (i.e., promotes convergence of ETS tariff in Ontario and respective neighbours); and
  - fairness, equitability and degree to which it will enhance market efficiency (i.e., maximize consumer and produce surplus, and least amount of potential adverse operational and market effects.)