

### **I. Summary**

As part of its [Decision with Reasons](#) in Hydro One's 2011 and 2012 transmission revenue application (EB-2010-0002), the Ontario Energy Board (OEB) requested that the IESO conduct a comprehensive Export Transmission Service (ETS) tariff study to identify a range of proposed ETS rates and the pros and cons associated with each. The study must be concluded in time for the next Hydro One transmission rate application (i.e., the 2013 and 2014 test years). The intent of this Stakeholder Engagement Plan is to ensure that the scope of the study is sufficiently broad and well-defined to provide useful analysis.

The Export Transmission Service (ETS) tariff is a charge applied to each Megawatt-hour (MWh) of electricity exports to recover the costs of transmission. The ETS tariff has been the subject of a previous study and report that the OEB directed the IESO to complete. Details of this study can be found as a part of completed stakeholder engagement [SE-78](#).

### **II. Introduction**

The OEB approved a change in the ETS Tariff for 2011 and 2012, increasing the tariff to \$2/MWh in each year. In so doing, the OEB acknowledged that the initial study did not examine any tariff design options falling between the \$1/MWh and the \$5/MWh and that, although the new \$2/MWh rate accorded with the directional preference of the study, subsequent OEB panels should not consider the \$2/MWh rate as having any precedential value. The OEB stated that a more comprehensive study was required.

### **III. Scope of ETS Tariff Review and Analysis**

Consistent with the OEB's key observations and the ensuing Decision and Order on this matter, the IESO will focus its efforts on analysing the pros and cons associated with a number of reasonable ETS tariff designs and rate scenarios.

Specifically, the IESO will carry out the following key activities:

- a) Meet with stakeholders and interested parties to solicit their input to refine the work scope and plan. The IESO will also keep stakeholders engaged in the ongoing progress, as well as provide opportunities for comments with respect to key milestones.

- b) Conduct a review and analysis of the impact of each of the proposed ETS tariff scenarios on the following key variables:
  - i. **Total electricity export and import volumes** – the projected incremental change in export, wheel-through and import volumes.
  - ii. **ETS tariff revenues** – the projected incremental change in export and wheel-through revenues.
  - iii. **Hourly Ontario Energy Price (HOEP)** – the projected incremental change in HOEP.
  - iv. **Surplus Base-load Generation (SBG)** – the projected incremental change in the dispatch of baseload resources (volume and frequency).
  - v. **Ontario market efficiency** – the incremental change in the consumer and producer surplus.
- c) Identify and discuss any potential challenges or hurdles which might impede implementation and administration of each ETS tariff.
- d) Present preliminary findings and analysis.
- e) Prepare a final report on the results of the study, the comments and contributions from stakeholders, and the IESO's assessment and analysis for submission to the OEB.

The ETS tariff design scenarios that the IESO propose to be considered in the study are identified and briefly described in the attached Appendix.

#### IV. Stakeholders

This initiative may be of interest to all wholesale market participants and stakeholder groups; in particular, transmission customers, generators and wholesale consumers directly involved in performing export, import and wheel-through transactions. We encourage all stakeholders, or their representatives, with an interest in this matter to participate in the process, including OEB staff.

## V. Completion of Study

The IESO's aim is to provide the OEB with comprehensive data and information to permit the OEB to carry out an informed review and assessment of the market and operational benefits attributed to different ETS tariff options and values.

The ETS tariff study solicits input and comments from stakeholders and other interested parties, and all views will be received and considered in a transparent fashion. Further, the IESO will document how stakeholder's input and comments were taken into account.

## VI. Goals and Objectives and Overall Approach

The implementation of this Stakeholder Engagement Plan will be consistent with the IESO's approved [stakeholder engagement principles](#). The plan will be subject to review and update as the process evolves and stakeholder input and comments are received.

### Goal

The Stakeholder Engagement Plan describes the IESO's proposed approach for undertaking the ETS tariff study; in particular, the manner in which stakeholders will be involved and the ETS tariff scenarios that will be reviewed to determine their impacts on electricity export and wheel-through volumes, ETS tariff revenues, HOEP, SBG and market efficiency.

Feedback from stakeholders will help the IESO refine its approach and conduct a meaningful study.

### Objectives

To provide stakeholders with an opportunity to provide input and feedback on the proposed study.

## Approach

The stakeholdering process is open to all stakeholders or their representative. We anticipate that participants will be comprised of groups of stakeholders from various sectors who are directly impacted by, or to whom the ETS tariff is of particular interest. It is anticipated that interested parties will meet initially to review and refine the draft work scope and plan, and subsequent meetings or discussions will be scheduled as necessary. The preliminary study findings will be presented to stakeholders. Written stakeholder feedback may also be solicited from time to time.

If stakeholders or other interested parties are unable to participate actively in the ETS tariff face-to-face study meetings, teleconferencing and web-based communiqués are available and may provide stakeholders with a low-cost way to participate and stay abreast of ongoing developments. Web-based inputs and comments may be provided via e-mail to [stakeholder.engagement@ieso.ca](mailto:stakeholder.engagement@ieso.ca). All stakeholder inputs and comments will be posted on the IESO's public website unless requested otherwise.

The Stakeholder Engagement Plan may be subject to review and update as the process evolves and meaningful revisions are warranted.

## VII. IESO Sponsor

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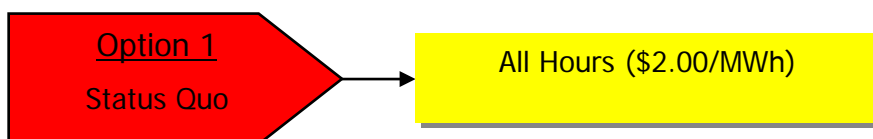
## VIII. Decision Making Steps and Schedule of Activities

Stakeholder Engagement Schedule		
Activity	Expected Actions	Target Date for Completion
1. Publish stakeholder plan to solicit their early feedback on work scope.	IESO post draft stakeholder plan.	May 19, 2011
2. Meet with stakeholders to discuss their early comments and any proposed changes to the plan and work scope.	Joint IESO/Hydro One Stakeholder meeting.	May 30, 2011
3. Deadline for written input from stakeholders on the stakeholder plan and work scope.	Stakeholders to provide written feedback.	June 9, 2011
4. Publish stakeholders' comments on the draft engagement plan.	IESO to publish comments received and any revisions made to the draft stakeholder engagement plan.	June 2011
5. Update stakeholders on detailed study approach and methodology.	Stakeholder conference call.	August 2011
6. IESO ETS tariff study status update and briefing session.	Stakeholder conference call.	October/November 2011
7. Present preliminary study findings.	Stakeholder meeting.	January 2012
8. Submit Final ETS Tariff Study to the Ontario Energy Board and Stakeholders.	IESO to file ETS tariff final report with OEB and publish on the IESO public website.	February/March 2012

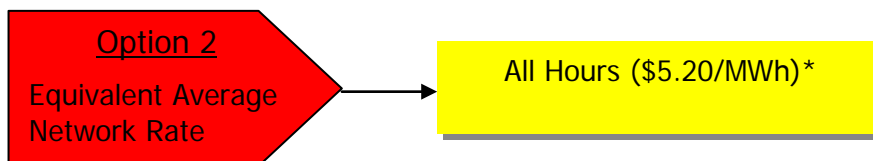
## Appendix

The ETS tariff will be modeled against the comparable long-term firm point-to-point rate that is applicable in each of the neighbouring markets. The four design options that will be assessed as part of the study are as follows:

### Option 1: Status Quo – Maintain the current ETS Tariff

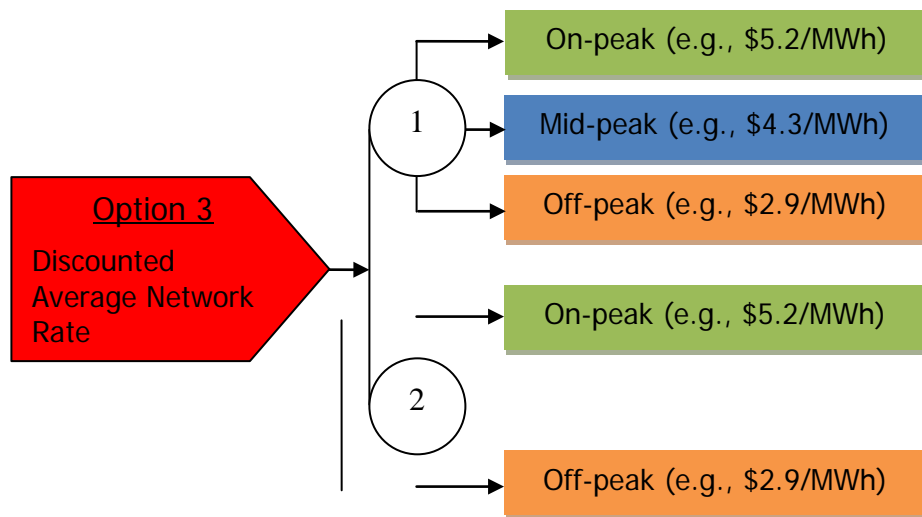


**Option 2: Equivalent Average Network Rate** - Under this option, export and wheel through transactions are deemed to pay a tariff equivalent to the average cost of network transmission services (i.e., \$/MWh) in Ontario.



\*Based on 2011 cost of service review and approved combined revenue requirements for all transmitters that make up the network pool.

**Option 3: Discounted Equivalent Average Network Rate** – Under this option, two sub-options or scenarios are considered wherein the ETS tariff is deemed to be discounted from the average embedded cost of network transmission services on a time-of-use (TOU) basis. For the purpose of facilitating stakeholder feedback the IESO has adopted the time of use definition and discounted ratios approved by the Board in the April 19, 2011 Regulated Price Plan. The escalating discounted costs for transmission services is a measure of the incremental economic, social and operational benefits or values that are deemed to be derived from trading surplus resources during off-peak hours. The IESO will need stakeholders’ input or comments on the basis on which the applicable discount factor(s) should be established.



**Option 4: Unilateral Elimination** – This option considers four sub-options or scenarios wherein the ETS tariff is deemed to be eliminated or reduced unilaterally on all interfaces with Ontario’s neighbours on a time-of-use basis. As discussed under Option 3, time of use will be defined in accordance with the Regulated Price Plan recently approved by the OEB.

