



The OEB and the ERO

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Outline

- OEB and electric reliability
- NERC's application to OEB
- Status of MOU
- Next steps on MOU

Ontario Energy Board

Roles & Activities in the Electricity Sector

- Set transmission and distribution rates
- Act as licensing body for the market
- Deal with codes and licence compliance matters
- Review mergers and acquisitions, amalgamations and divestures
- Review construction of transmission lines
- Monitoring and market surveillance
- Reviews amendments and hear appeals to the IESO's market rules
- Promote consumer education in energy matters, and...

OEB role in reliability

- OEB regulatory instruments support reliability enforcement.
 - Licenses require all participants to follow market rules
 - Codes require transmitters (and distributors) to maintain reliable system
- OEB is also avenue of appeal (after ADR).
 - IESO order can be appealed
 - Existing NPCC sanctions can be appealed to “applicable Canadian authority”

ERO Recognition in Canada

- what NERC is seeking

- NERC reliability standards made mandatory and enforceable
- Backstop for compliance and enforcement efforts of NERC and regional entities
- Assurance for collection of a fair allocation of NERC's reasonable costs in carrying out its programs

NERC/ERO and Canadian Regulators

- NERC envisaged a relationship with Canadian regulators as with FERC in the US
- Provinces encouraged regulators to develop issues jointly – but one size doesn't fit all!
- CAMPUT subcommittee formed March 2005 (regulators from BC, AB, SK, MB, ON, NB, NS)

NERC's filing with OEB

- Filed application on April 4 seeking recognition of ERO and more particularly:
 - NERC reliability standards made mandatory and enforceable
 - Backstop for compliance and enforcement efforts of NERC and regional entities
 - Assurance for collection of a fair allocation of NERC's reasonable costs in carrying out its programs
 - A Memorandum of Understanding (MOU) would be the preferred way to achieve this.

OEB Response

- Letter drafted from Acting Board Secretary to NERC General Counsel:
 - Acknowledges receipt of the application
 - Agrees that an MOU is appropriate and notes:
 - Recognition of NERC as standards authority is up to the Ministry;
 - NERC standards are mandatory and enforceable in Ontario and made enforceable through the Market Rules; and
 - the IESO has the authority to enforce this compliance.

Draft MOU

- Original intent was to draft a joint MOU and a Ontario-specific MOU;
- Lack of agreement from other governments on whether their regulators could sign a joint MOU has made it meaningless;
- Have been working with IESO on a specific MOU.

Content of Specific MOU

- General matters
- Reliability Standards
 - Development, notification, approval, remand, Ontario-specific standards
- Compliance and Enforcement
 - Compliance accountability, OEB as appellate authority, disclosure of violations, compliance information, disposition of monies collected as penalties.
- Funding
- Points of contact

Timing for MOU

- Initiate discussions with NERC
- Post draft MOU on OEB website for comment?
- Signing of MOU in fall 2006
- Legislative changes anticipated?
 - OPG and Hydro One have asked that OEB be given remand authority (supported by IESO)
 - Not clear whether OEB can act as appellate authority to NPCC sanctions
 - Draft reflects current law and our interpretation
 - Not opposed to remand (similar to market rule “remand” – but to the “standards authority” not to IESO) or playing backstop role but legislation needed to clarify these powers
- Priority is to get nonbinding MOUs in place
 - Ontario law will always trump an MOU!