

The purpose of this memorandum is to provide the Stakeholder Advisory Committee with an update of activities associated with NYISO's response to the July 16th FERC order. This order required NYISO to "expeditiously develop long-term comprehensive solutions to the loop flow problem with its neighboring Regional Transmission Organizations (RTOs), including addressing interface pricing and congestion management" and to outline the next steps associated with the undertaking.

Background:

FERC's order required NYISO to submit a report to FERC detailing its proposed solution(s) including necessary Tariff revisions by mid-January. This order was a consequence of NYISO actions following the incurring of significant congestion (i.e. re-dispatch) costs related to loop flows associated with transactions from NY through Ontario and MISO to PJM conducted in their market.

Since IESO staff's presentation to SAC on October 28th 2009 on the matter, NYISO has worked in collaboration with PJM, MISO, the IESO, with input from the stakeholders across the region to develop a series of physical and market solutions. Two technical conferences were held with stakeholders across the region – the first on October 29th in Albany, New York and the second in Carmel, Indiana on Dec 15th. Announcement of these conferences was provided to IESO market participants and participants through the IESO's weekly bulletin.

NYISO filed its report and associated support documents on January 12, 2010. These can be accessed at http://elibrary.FERC.gov/idmws/file_list.asp?accession_num=20100112-5141.

The report recommends the implementation of a series of "market" solutions, including: (a) Buy-Through of Congestion, (b) Congestion Management/Market-to-Market Coordination, (c) Interface Pricing Revisions, and (d) Interregional Transaction Coordination. In addition to the proposed market solutions, IESO and MISO are pursuing the implementation of Phase Angle Regulator ("PAR") devices on the free flowing ties between Ontario and Michigan. The operation of these devices will better align actual power flows to the scheduled flows and thereby reduce loop flows around Lake Erie.

Next Steps:

The report proposes an implementation schedule over the period 2010 to 2012 that is intended to allow sufficient time to work through the details of implementing the proposed Broader Regional Market solutions to Lake Erie loop flow, and to address concerns identified by stakeholders. The anticipated stakeholder process is to include the preparation of a cost/benefit analysis of each of the proposed solutions by the ISOs and RTOs for discussion with their stakeholders, provincial authorities and appropriate regulatory agencies.

The schedule assumes the timely availability of a Parallel Flow Visualization Tool that is being designed by the NERC IDC and OATI. The report also states that it is expected that all of the proposed measures will be pursued in concert.

The NYISO has proposed to submit biennial updates to this Report to the Commission addressing the ISOs and RTOs ongoing efforts to implement the Broader Regional Market Solutions to Lake Erie loop flow. The NYISO's proposed biennial updates will address the status of the implementation of the Ontario-Michigan PARs and other issues related to implementing physical controls to mitigate Lake Erie loop flow.

IESO Perspective:

On Jan 18th the IESO submitted a filing in support of NYISO's report to FERC that can be accessed at <http://elibrary.ferc.gov/idmws/common/OpenNat.asp?fileID=12242022>. This filing embodies the key points outlined below.

The IESO supports the NYISO's proposed broader markets solutions as proposed in its filing and the more efficient dispatch of resources across the Eastern Interconnect that they can effect. The IESO is also supportive of NERC's Operating Reliability Subcommittee initiative to improve flow visualization through the modelling and data collection of market and Generation-to-Load flows in the Interchange Distribution Calculator (IDC) and to make the submission of data by the reliability coordinators into the IDC tool mandatory. At present it is very difficult to discern the specific causes of unscheduled flows in real time and the proposed changes to the IDC will improve that visibility for all of the ISOs/RTOs in the eastern interconnection.

Implementing the proposed market based solutions within Ontario and at its interfaces with U.S. entities, however, will depend on the assessment of these solutions against other priorities for the IESO controlled grid and administered markets given its available resources. Consideration will naturally be given to the impact on IESO delivery on its obligations and implementation role under the Green Energy and Green Economy Act and contribution to the development and efficient implementation of government policy in the electricity sector for the sake of reliability, economic efficiency and the environment.

The IESO believes that amongst all of the solutions offered in the report, the “physical” solution of implementing the Phase Angle Regulators on the Ontario-Michigan interface is first and best solution to the Lake Erie loop flow situation. The operation of these devices to better control the interface flows to schedule will significantly reduce loop flows and thereby will play a key role in addressing many of the Commission’s concerns in respect to the associated loop flows. As a consequence, the IESO encourages the Ontario-Michigan PARs to be brought into service as soon as possible.