



Market Rule Amendment Written Submission

This form is used to provide comment on a *market rule* amendment under consideration by the *IESO*. Please complete all four sections of this form and submit the completed form by email or fax to the following:

Email Address: Rule.Amendments@ieso.ca
 Fax No.: (416) 506-2847 **Attention: Market Rules Group**
Subject: Market Rule Written Submission

All information submitted in this process will be used by the *IESO* solely in support of its obligations under the *Electricity Act, 1998*, the *Ontario Energy Board Act, 1998*, the *Market Rules* and associated policies, standards and procedures and its licence. All submitted information will be assigned the *confidentiality classification* of “Public” upon receipt. You should be aware that the *IESO* intends to *publish* this written submission.

Terms and acronyms used in this Form that are italicized have the meanings ascribed thereto in Chapter 11 of the *Market Rules*.

PART 1 – SUBMITTER’S INFORMATION

Please enter your organization and contact information in full.

Name: William Harper, Econalysis Consulting Services

(if applicable) *Market Participant / Metering Service Provider* No.¹: _____ *Market Participant Class*: _____

Telephone: 416-348-0193 _____ Fax: 416-348-0641 _____

E-mail Address: bharper@econalysis.ca

PART 2 – MARKET RULE AMENDMENT REFERENCE

Type of Rule Amendment Being Commented on (please indicate with x):

X Amendment Submission Proposed Rule Amendment Recommended Rule Amendment

MR Number: MR-00332-R00 – Operating Reserve

This *Market Rule* number is located on the “Current Market Rule Amendment” web page.

Date Relevant Amendment Submission, Proposed or Recommended Rule Amendment Posted for Comment: June 14, 2007

¹ This number is a maximum of 12 characters and does not include any spaces or underscore.

PART 3 – COMMENTS ON RULE AMENDMENT

Provide your comments.

The following comments are in response to the IESO's request for input with respect to the Draft Cost/Benefit Analysis published in conjunction with the proposed rule amendment.

Overall:

- I agree that cost/benefit analyses should be performed for proposed market rule amendments. I also concur with the view (page 1) that such analyses will “facilitate a more rigorous consideration of rule amendments”.
- I also generally agree with the proposition that a favourable cost/benefit analysis result is a necessary but not a sufficient condition for a proposed market rule amendment to be accepted by the IESO Board of Directors (i.e., There are other factors that may also have to be taken into account). However, there may be exceptions where (due to statutory, safety, or other considerations) a market rule amendment that does not pass the cost/benefit analysis should be implemented.
- In the Summary of CBA Methodology section reference is made to measuring the welfare impacts of a change on all market participants. This gives rise to the question of whether “welfare impacts” on related markets (e.g., New York) should be considered. My initial reaction is no. The reasoning for this is two-fold. First it could lead to a result where a rule amendment passes the C/B analysis but is detrimental to Ontario market participants overall. The second reason is that the analyses already relies on numerous assumptions to gauge the impact on Ontario market participants, without having to engage in estimating the impact on external markets.
- Page 2 of the paper discusses the impact that the presence of pre-existing market distortions (e.g. uniform pricing) can have on the cost benefit/analysis results. If a proposed amendment “passes” the C/B analysis only because of existing market distortions, then I believe there should be some further reflection (e.g., Are the benefits simply a result of the proposed amendment leveraging off the market distortion with out any economic merit of its own?) before one concludes there is an overall benefit and the rule amendment should be approved..
- Page 2 notes that a NPV analysis is required if longer term benefits are to be weighed against short-term implementation costs. While the choice of a 10 year term did not impact on the overall results for the OR rule change, 10 years may be too long a period to use in future analyses. Where critical, the IESO may wish to also consider a 5 year term. Similarly, where critical, the IESO should show the impact to of using higher discount rates than 5%.

Regarding the OR Rule Amendment C/B Analysis: Presentation Suggestions

- The discussion of results on page 6 does not cover/explain the change in energy price except for a minor reference to the fact there's a reduction. This section should include a bullet that documents the \$0.06 / MWh reduction since it is used in the subsequent analyses.
- The discussion on exports focuses (page 12) on New York and the difference between the relevant Ontario shadow price and the Ontario uniform price. It would be useful if the paper explained why the implications relative to the New York market were applied to “total exports” as opposed to

PART 3 – COMMENTS ON RULE AMENDMENT

considering each export market separately.

- It would be useful if the results were tabulated in a way that clearly shows which items net out to zero when summed across all participant classes versus those that yield a net benefit or cost. For example:

Item	Ont. Cons.	Ont. Gen.	Exporters	Importers	Net Change
Energy Pay/Rev					
OR Pay/Rev					
Production Cost					
GA/OPG Rebate					
Total Cost/Benefit					

PART 4 – EXTERNAL CONSULTATION MEETING

If you believe that a special meeting of stakeholders would be necessary/desirable to discuss the issues raised by the rule amendment, please complete the following information:

External Stakeholdering meeting necessary/desirable (please indicate with x):

Reason(s) why you believe a meeting is necessary/desirable: