ieso
Power to Ontario.
On Demand.

Independent Electricity
System Operator
Station A, Box 4474
Toronto, Ontario M5W 4E5
t 905 855 6100

www.ieso.ca

January 2, 2008

Tom Malinger
Director – Operations Engineering & Tariff Administration
Midwest ISO
701 City Center Drive
Carmel, IN 46032

Dear Tom:

Re: Investigation of Loop Flows across Combined MISO and PJM Footprint

The following letter is being sent to clarify the IESO's position related to a number of statements made in the joint MISO and PJM report released on May 25, 2007 titled "Investigation of Loop Flows across Combined Midwest ISO and PJM Footprint".

The last paragraph on page 3 states that MISO currently have two means for addressing loop flow; the TLR approach; and the Congestion Management Process. While this is a valid statement it leads the reader to believe there are no other potentially available devices to control loop flow. A statement should be made here that there are two phase angle regulators (PARs) between Michigan and Ontario awaiting an operating agreement. Once these PARs become operational three out of the four interconnections between Michigan and Ontario would have PARs and this would help mitigate the loop flows around Lake Erie.

The last paragraph on page 5 states "In many cases the PARs were designed for a specific purpose and are less effective at controlling flows during conditions that deviate from the design. There are a number of operating limitations that prevent the use of PARS to minimize circulation flows". This statement fails to say that the Ontario-Michigan PARs were put in place to hold actual flows to scheduled flows specifically to mitigate Lake Erie Loop flows. Also it does not provide the reader with the specific operating limitations and the frequency at which they would occur that would prevent the use of PARs to minimize circulation flows. Similar statements to those just described are made on page 28.

Also in the last paragraph on page 5 it states "it is important that the IESO and NYISO contributions to circulation flows be identified in the Interchange Distribution Calculator (IDC) and subject to the same type of obligations as Midwest ISO and PJM when congestion occurs". After a number of control areas were amalgamated due to MISO and PJM market expansion some data that was previously being sent to the IDC was no longer sent. Therefore, MISO and PJM were obligated to agree to a process that captures and provides IDC with data. The IESO has never expanded or changed its

footprint and we have always provided the same data to the IDC. It is not necessary to obligate the IESO to provide additional data to the IDC as there has been no reduction in the IESO information transparency as a result of footprint expansion.

The first paragraph on page 6 states "Four party talks between Midwest ISO, PJM, NYISO, and IESO have resulted in some very positive discussions on actions that the parties can accomplish over the next several years relating to mitigating loop flow. These items include the following recommendations and future steps:

- IESO and NYISO should adopt a Congestion Management Process whereby they report their market flows to the IDC and participate with Midwest ISO and PJM to manage circulation flows around Lake Erie when congestion occurs"

The IESO has not agreed that we should adopt a CMP. The IESO has agreed that we will continue to evaluate benefits and feasibility of entering into a CMP and we reserve the right to decide following our evaluation. Similar statements to those just described are made on page 42.

The second last paragraph on page 8 states "In bulk power systems, there are currently two means to address the problem of loop flows across a control area's interfaces. The first method, the "TLR approach" developed by the NERC, aims to reduce the harmful impacts of loop flow by curtailing transactions between areas. The second method is the Congestion Management Process that was developed by PJM and Midwest ISO in the context of the Joint Operating Agreement and related documents". Similar to the statement made in the first paragraph above PARs provide a third way to address the problem of loop flow across a control area's interfaces. Failing to mention that there are three ways to address loop flow misleads the reader.

Yours truly,

Darren Finkbeiner
Manager – Market Entry & Analysis
Market & System Operations
Independent Electricity Operator