



July 10, 2003

**MARKET SURVEILLANCE PANEL REPORT:
CONSTRAINED OFF PAYMENTS AND
OTHER ISSUES IN THE MANAGEMENT OF CONGESTION**

Re: Comments By IMO Board Member Bill Taylor

- 1) The clarity added to section 3.1 is excellent.
- 2) In section 6.1 at the end where discussion turns to RTO's -- I would question what market conditions would need to be assessed to determine the rationality of centralized co-ordination of transmission planning? (i.e. it seems like a given that this is necessary and useful for the market) Or perhaps I am just mis-reading the intent here and that you are referring to Ontario moving to a US-style RTO or not?
- 3) In section 6.2, respecting transmission outages (last paragraph before the recommendation), there is no mention of the fact that generators are likely to suffer financially (absent constrained off payments) from transmission outages and that this ought to perhaps form part of the considerations around incentives and procedures respecting transmission outages. I would suggest that this at least on par with the suggestion that "co-ordinating outages could lead to the transmitter incurring additional costs".
- 4) At the very end of this same section you are offering comments as a starting point for the discussion on process, in particular the last bit about alternatives to transmission being a necessary part of the landscape to be considered. Specifically, you note the need for alternatives to be "substantially assured". I would ask you to consider including the point that while transmission and generation can clearly be electrically equivalent solutions to a reliability or market efficiency solution, the regulatory treatment in our market is much different. (i.e. return of fixed costs is not assured to the merchant generator, but arguably are to the transmitter). Personally I see this as an important point, and worthy of consideration in the discussion of the merits of capacity markets and the LTRA debate. Could a reliability contract or "congestion relief contract" not be a substitute for a transmission solution and perhaps be the quid for the "substantial assurance" referred to as being necessary for alternatives?