

Hi Bill, I am the new representative for Hydro-Québec in NYISO markets, replacing Michel Prevost who moved to the transmission division.

Curt Dahl suggested that I contacted you about the possibility of importing more ICAP into NY coming through Ontario. Currently, we are limited to 350 MW and I believe that limit was set given existing Québec-Ontario interface limits. A new interconnection will progressively come online starting in summer 2009, for final completion in the summer of 2010.

The total QC-ON interface limit should increase by 600 MW starting July 2009 and by an additional 650 MW in June 2010 (final dates to be determined).

I know that I need to go to the ICS to get the IRM 2010 assumptions and study updated but I would like what info I need to gather before I go there. Also, is it the NYISO that will perform the studies to look at how much of that incremental capacity is deliverable at the NY-OH border and how much is deliverable across upstate New York from OH?

Your help will be appreciated here.

Thanks.

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Subject: Issues for the ICS for the IRM Study

To all, due to the many changes that have recently occurred at the NYISO concerning the ICAP market, I believe it would be appropriate that the following issues be addressed as part of the 2010-2011 IRM study:

1) When it approved the 2009-2010 IRM Study, the Reliability Council approved the ICS' proposal to reduce the amount of ICAP that can be sunk in or wheeled through NY from Québec to 1095MW, from the historic level of 1500 MW on the 7040 Line and 166 MW on Cedars. Everything beyond 1095MW (and up to 1500 MW on the 7040 Line – that is, beyond NY's first contingency limit of 1200 MW) is assumed to be reserved for emergency assistance NY can rely on to reduce its IRM. As has been said in many forums, HQUS disagrees with this decision, and we think it may have reliability implications not just for NY, but also for neighboring control areas. HQUS believes it is the duty of the ICS, the NYSRC and the NYISO, prior to making any determination with respect to the 2010-2011 IRM study, to consult with PJM, ISO-NE and IESO to see if this decision does not impair reliability on their respective systems.

2) To reflect the joint compliance filing of the NYISO and the NYTOs on May 4, the ICS should review its assumptions to include the grandfathering of ETCNL and of the HQ interface, for 1080 MW and 1090 MW respectively, at least as a placeholder until FERC releases its final order.

3) Following point 2) above, the 2010-11 IRM study should review the impact(s) of a possible "dynamic" reallocation of existing import rights across interfaces, in case the HQ or the NYSEG capacity is not fully utilized in the capability year. However, HQUS believes the reallocation of import rights should be dealt with in a generic fashion, so to let more ICAP to be sold on one interface that the IRM study says is the limit. For instance, the operational limit of the HQ interface is 1200 MW but is limited to 1095 MW for ICAP sales. If we see that there are unused import rights on another interface (e.g. NE), then these unused import rights should be made available for imports at the HQ or any other interface (but not necessarily on a one-to-one basis, so to preserve the 1/10 criterion). This "dynamic" reallocation process has been discussed at the IITF, the

ICAPWG and in bilateral discussions, and we believe it is important that import rights do not remain unused if they can be used economically by some party. The import rights should also be available to wheel ICAP into, through and out of NY (e.g. from HQ to NY to NE).

4) The treatment of Cedars in the 2009-2010 IRM study seems wrong to us. There is, in our view, no reason why the Cedars interface should be merged with Chateauguay to set the maximum imports from Québec into NYISO. It should be treated separately, just like the wheels through IESO are, as Cedars is a tie that is operated completely independently from the 7040 Line. In other words, the import rights study should assume that Cedars is a separate interface for the sake of determining the Final Individual Interface Limits. If the ICS believes that Cedars should continue to be treated jointly with the 7040 Line, then the rationale for doing so should be clearly spelled out in the study.

5) As I said in an earlier email to Curt and Bill (attached), the HQ-IESO tie is being upgraded this year, and will pass from 350 MW to 600 MWW in 2010 to 1250 MW in 2011. We believe that the ICAP import limit at the Ontario interface should be reviewed accordingly, or at least be increased, based on reliability and operational studies performed as part of the 2010-11 IRM study.

Thanks in advance for addressing our issues in the 2010-2011 IRM study.