

Memorandum

To: Strategic Advisory Committee

From: Dave Devereaux, Director, Resource Planning

Date: November 8, 2023

Re: IESO Business Update – Annual Planning Outlook and Annual Acquisition Report

In response to recent policy announcements, including the provincial government’s Powering Ontario’s Growth (POG) report and accompanying Ministerial Directives, and the federal government’s draft Clean Electricity Regulations (CER), the IESO has revisited the timing and content of the Annual Planning Outlook (APO) and Annual Acquisition Report (AAR). In past years, the AAR has been published after the APO, allowing for a discrete set of actions to be developed based on the needs indicated in the APO, and considering risks and uncertainties that may materialize.

To provide a more complete picture of future reliability needs and planned actions to meet these needs, the IESO will incorporate recent government policy announcements in its assessment of needs and will integrate the AAR into the upcoming APO. The APO will be published in Q1 2024, and will continue to cover topics included in previous reports; it will also now be expanded to include planned actions that will be pursued over the coming years (similar to previous AARs). The combined report is intended to provide the sector with information to inform investment decisions about existing and future assets, and is a first step toward integrating APO and AAR content.

The expected timing of the APO publication was announced at the October 20 engagement session on the evolution of the APO and the AAR. Feedback was also requested to inform the evolution of the APO and AAR, with the aim of better serving the needs of stakeholders and communities. Following publication of the APO in early 2024, the IESO intends to further evolve

its planning assessments for subsequent reports, informed by the feedback provided through the October 20 engagement and future engagements.

Background and Summary of October 20 Stakeholder Engagement

The IESO's rationale to evolve its planning assessments stems from the policy direction noted above, and also from a view that the APO and AAR currently have overlapping content of Ontario's resource adequacy needs and locational capacity needs. There appears to be an opportunity to streamline these products and better align information release as it becomes available.

The IESO's engagement session on October 20 attracted 60 participants and initial feedback was themed primarily around resource development and requests for more detailed reporting on site-specific transmission capability. Attendees were also interested in receiving more information on Ontario's Clean Energy Credit (CEC) registry transactions and the IESO's next steps on this initiative.

The IESO emphasized the need for feedback on how users of the IESO's planning products would like to see these materials evolve. Engagement participants were asked whether comprehensive reports or raw data, as an example, would suit their needs. Responses varied by participant segment. The official feedback window remains open until the end of November and the IESO looks forward to receiving further comments. The IESO will also share more about the supply and demand overview in November, which will allow for a more fulsome opportunity to consider other planning information the IESO provides to the sector.

In addition, the IESO summarized the feedback received in February 2023 on the AAR, and discussed how it will be incorporated into future planning products. One of the potential changes involves the addition of an assumption for market exit. February feedback on the AAR consisted of the following:

Asset owners

- Significant capital investments are needed to extend asset life; assurance of a cost recovery mechanism is needed to ensure revenue adequacy
- Competition for capital investments for opportunities outside of Ontario
- Corporate Environmental, Social, and Governance (ESG) mandates and impact on decisions, specifically for gas facilities

External factors

- Technological readiness and investment in re-powering (hydrogen, renewable natural gas)
- Ability to understand market revenue opportunities post-Market Renewal Program (MRP) and the impact on cost recovery
- Uncertainty with the CER and impacts on future participation of gas fleet & fuel security
- Municipal support
- Necessary transmission for upgrades and re-powered facilities

APPENDIX

Feedback requested from October Stakeholder Engagement

- What sections of the APO and AAR are most helpful and how do you use the information?
- Where do you see additional redundancy/overlap in the existing products?
- How can the IESO enhance and evolve the APO and the AAR?
- What frequency and/or time of year is information needed to make informed and timely investment decisions with respect to existing or new assets?
- What information specifically is needed to make these decisions?
- Are comprehensive planning reports valuable, or are multiple tailored and succinct products better able to serve your needs?

Engagement Next Steps

November

Engagement session to provide information on:

- Overview of upcoming system needs
 - Demand and supply scenarios
 - Capacity and energy adequacy outlook

December

Feedback due on evolution of the APO/AAR

Early Q1 2024

IESO responses to feedback on evolution of APO/AAR

Late Q1 2024

APO release and engagement on evolution of planning products
