



**Notes for Remarks:
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Check against delivery

Thank you for the introduction – I always appreciate the opportunity to speak at APPrO and hopefully take a few questions.

Mind you, with the number of IESO people participating in the program, on a wide range of issues on which they bring deep expertise, I wasn't sure that there would be very much left for me to say. On the other hand, with JoAnne Butler, Mark Wilson, Shawn Cronkwright, Mike Lyle and Darryl Yahoda scattered across the program, I can refer all the tough questions to them.

The theme of this year's conference: Change and Opportunity, particularly resonates with me. As I look back over the year for the new IESO, it has certainly been a period of managing change – and when I spoke here last year, I undertook to give you an update on where we are. So I'll start there before turning to how we see "Change and Opportunity" going forward – both for the IESO and the sector.

As we approach the end of the year, I can confirm that a lot has been accomplished. While there is still work to be done, we have brought together two organizations of like-minded, highly-skilled people with considerable expertise and experience. And based on my conversations with stakeholders over the year, I believe the transition has been relatively seamless for all of you.

Having said that, we've also had our challenges. Internally, it's taking longer than I would have liked to get all of our labour and system integration issues behind us. But we're making good progress as year-end approaches. At the same time, we're exceeding our targets for merger savings, and reducing the cost of meeting our core responsibilities.

And as the year progressed, I quickly came to realize that I've moved from a wholesale business, where we could try to fashion individual solutions, to a combined retail business with a mix of more than 3,000 contract holders, and that's apart from over 20,000 microFIT contracts and an even larger pool of potential participants in conservation programs. In my wholesale days, we could seek a customized solution

that would work for the handful of market participants involved in an issue. Now, given the need to treat contract holders consistently, we have to consider issues in the context of a much broader suite of people. That's just one example of how the new IESO is a more complex business.

Over the year we've also initiated various procurements, consistent with implementation of the Long Term Energy Plan. One in particular that has been very successful to date is the Large Renewable Procurement. We've had over a hundred proposals submitted – totaling over 3,600 MW for a 565 MW procurement target. Because this is a fully competitive procurement – the first we've done in a long time for large renewables – the evaluation process is very demanding, as you would want it to be. And with the success in attracting a large number of proposals, it's going to take longer than we had originally hoped to work all of the potential projects through the evaluation process. We're in the midst of developing an updated schedule – which we hope to publish shortly.

For our business more generally, we're putting even more focus on our stakeholder relationships. We've reconstituted our Stakeholder Advisory Committee and strengthened our consultation and stakeholder engagement principles. We appreciate the participation of APPrO members, and your President, in our stakeholder engagements and on our Stakeholder Advisory Committee.

So, let me turn to how we see the environment unfolding around us. The new IESO entered the stage at a moment where the energy landscape is undergoing remarkable change and a greater degree of interconnectedness than ever before.

Over the last 10 years, the signature achievement has been the phase out of coal-fired generation. And with that change, more natural gas, wind and solar generation have joined the provincial supply mix. Other resources – including conservation, demand response and storage – are expanding the diversity available in meeting Ontario's electricity requirements. And with that diversity we're also getting the flexibility we need to manage the variability of our renewable fleet. That flexibility is being increased

across the board – including through growing storage investments and the dynamic capability developed by Bruce Power. We’re using all of these tools to reliably integrate the growing suite of power system resources.

And the fact is that while overall load growth has stabilized, we expect that the scope, complexity and pace of change over the next 10 to 15 years will exceed that experienced over the period when Ontario was eliminating coal from its supply mix.

By 2025, twenty thousand megawatts of renewable energy will be online, representing about half of Ontario’s installed capacity.

Ontario currently has about 1,800 MW of distribution-connected solar and we expect to have more than 2,000 MW by 2017. Net metering discussions are currently underway – and as distributed energy resources get easier and cheaper to install, and their rate of adoption accelerates, we expect our electricity system will become more decentralized.

The IESO is tracking developments in distributed generation and micro-grids – and thinking about how those developments can work in conjunction with the bulk power system. Distributed generation, including combined heat and power, could play a significant role in the context of our regional planning across the province. And micro-grids will be more widely developed – both for resiliency and efficiency – particularly as renewable prices continue to decline. Powerstream’s project in Penetanguishene and other projects funded by the IESO’s Conservation Fund will help ensure that we are prepared as these technologies proliferate.

Right now, people are only in the early stages of adopting smart homes - but interoperability is expanding, and we see growing data-driven applications, as just a few examples. Smart grids, with powerful monitoring and automation tools, are increasing the capability for energy companies to effectively respond to the changing daily environment. All of this will empower consumers and businesses to use energy more efficiently.

Of course, this is cascading into the distribution sector where we are seeing other important changes such as revenue decoupling, consolidation and the partial divestiture of Hydro One.

The recently tabled Bill 135 represents yet another important change – one that further defines the changing role of the IESO. This legislation, if passed, will replace the current IPSP framework and establish the Long-Term Energy Plan as the key planning document. As part of this new framework, the IESO will be responsible for the development of a report that will kick-off the LTEP consultations. This document is to consider, and I quote, “the adequacy and reliability of electricity resources with respect to anticipated electricity supply, capacity, storage, reliability and demand”.

The IESO will also be responsible for an implementation plan post-LTEP. As we look to these potential legislative changes, we are also looking into areas of improvement in market design as another way to further evolve the electricity sector. Our first demand response auction will be taking place this December, and we are also planning a capacity auction down the road. JoAnne Butler will talk more about this in her session tomorrow morning, when she will be addressing market evolution priorities. Of course, maintaining reliability – both today and tomorrow – will continue to be a priority focus for the IESO. The work to achieve that reliability extends into functions across the entire company. Planning for future conditions, procuring necessary resources, establishing strong working relationships across the sector and achieving excellence in real-time operations are all critical to successfully meeting our reliability commitment.

As Mike Lyle spoke to earlier, the IESO is also working with stakeholders across the province planning for future needs through regional planning. The province has been divided into 21 planning regions, and the requirements for each region will be reviewed and updated every five years. I believe that regional planning work is a great complement to the growing range of choices open to communities as to how they want to address their energy needs – opportunity to customize solutions to reflect community choices.

So what does all of this mean for the future of the electricity sector? As the range of choices continue to expand, we will all be increasingly challenged to provide value in a world where customers may be much less reliant on the traditional system.

These challenges will also affect the success of the IESO's various initiatives. LDCs, for example, are the front line for the Conservation First Framework and play a key role in regional planning. And I expect that new capacity from distributed generation, demand response and new technologies will primarily be connected to distributors. The impressive growth seen over the last few years in all types of products and services on the distributor and consumer side of the meter could have significant impact on IESO/LDC relationships in the future. We'll have to work together much more closely.

So, while the work of the IESO in planning, procurement, conservation and operations continues, it needs to be informed by the best intelligence available on emerging trends and technologies.

One thing is for sure – Ontario's electricity sector will continue to evolve – whether that's on the supply side, the smart grid front, or with the organizations that directly serve Ontario's electricity customers. On the market side, as we work with stakeholders to develop the capacity auction and other market initiatives, we will be examining how the current real-time electricity market should evolve. A robust market structure and a well-positioned regulatory regime will be the best foundation for accommodating change and ensuring cost-effective results for consumers.

I'd like to close by returning to one of the three corporate themes for the IESO that I have spoken to over the year – and that's "Respecting and Valuing Our Stakeholders." I want to assure David and APPrO members that we value the voice of the generator community. We will have vigorous debates – but that's a good thing and we depend on you to bring forward important issues and opportunities for consideration.

As we've worked this year to capitalize on the benefits of the merger, our efforts have also been aimed at placing the IESO in the best position possible to anticipate and plan

in a world of accelerating change. We look forward to continuing to work closely with all of you to help shape our electricity system for the benefit of the province.

Thank you, and if time permits, I'm happy to take questions.