



Notes for Remarks:

Electricity Distributors Association's Annual General Meeting

March 9, 2015

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Check Against Delivery

Thank you for having me here today. I'm delighted to be a part of this year's EDA Annual General Meeting, and I believe this is a particularly timely opportunity, given recent developments that have made IESO and LDC collaboration more important than ever.

It seems like every year I talk about the evolution of Ontario's electricity system – how much times are changing ... the need to adapt. But this is the nature of our industry. And a look at the beginning of 2015 proves that this year will be no different.

I'd like to share with you the progress we've made on the merger, our priorities for the new IESO and how I see our relationship developing with LDCs.

The merger between the OPA and IESO and the beginning of the Conservation First Framework have changed the dynamic of how LDCs and the IESO work together. On the surface, we still share common goals – such as providing reliable service and delivering customer value, as we just heard Rosemarie talk about. But how we provide that value, and how the IESO and LDCs work together to provide that value, has changed.

It is within this context that I'd like to speak to you this morning about the merger between the OPA and the IESO, the vision of the new organization and how we can work together going forward.

I find it hard to believe that it's been over two months since the merger took place. Time flies. And while integrating the two former organizations has gone smoothly so far, there is still a lot of work to be done. We are still working to combine both IT systems and business processes, for example – and I continue to ask for forgiveness from my new colleagues as I get familiar with all the new names and faces.

But by streamlining the support functions within the two companies, reducing overall staff, executive and Board numbers, we will be able to reduce our ongoing revenue requirement by \$5 million annually.

The new organization has responsibilities that extend right across the electricity sector – the scope of our operations now ranges from planning 20 years ahead to maintaining the reliability of the grid second-by-second. That's a lot of ground to cover. But combining the two organizations has given us a more well-rounded and complete set of responsibilities that is leading to more efficient operations.

Bringing together market and procurement activities into one organization allows for a more effective integration of the planning outlook with operational experience, and to bring those insights into our procurement planning, which should result in more efficient contracts and markets. It also means that when contemplating market rule changes, the IESO will better understand the potential impacts on existing contracts ... and as

one organization, work with participants to manage those changes.

As a new organization, we've had to ask ourselves some fundamental questions: what are our priorities? What is our vision? Our guiding principles?

Fortunately, we're not starting from scratch — rather, we're building on the strengths of the two former organizations. But this has still required us to pause and reflect on what matters most to Ontarians.

Our first priority, and you might have heard me talk about this before, is to ensure we provide public value. Private sector companies must answer to their shareholders; for the IESO, we must answer to Ontario ratepayers. Every decision we make must be looked at through that lens.

The IESO provides public value when it acquires new sources of clean, renewable power and ensures the long-term sustainability of the province's power system; it provides public value through the reliable and efficient operation of the grid and the wholesale market; and it provides public value by promoting a conservation culture in Ontario.

And throughout all that we do, we must make sure there is value in our actions and commitments by finding the most cost-effective solutions. At the IESO we are focused on identifying opportunities to bend the cost curve for the ratepayer by

pursuing competition in our current operations and for future market design.

And we all know that the Province makes the key policy decisions about the electricity sector -- that is their role. Our role is to provide high-quality analysis, options and advice to help inform their decisions.

These will be the measures of our success going forward. Another priority for the new organization will be building corporate resilience. This means ensuring we have the employee resources and skills, technologies, systems, financial and organizational capabilities to achieve the public value outcomes we are focused on.

As I mentioned earlier, the electricity sector is constantly evolving. It's important that we put ourselves in a position to be flexible. When we can't get ahead of the curve and shape the change, we must be resilient and able to adapt as needed.

Lastly, we must respect and value our stakeholders. The IESO takes pride in its leadership, and I have the utmost confidence in our employees. But we don't know it all, and we can't do it alone.

That's why we will continue to conduct transparent, robust stakeholder engagement activities. Stakeholder support is critical to everything that we do. It ensures that our solutions are meeting the needs of Ontario homes and businesses in way that allows all

the parties in the electricity sector to contribute effectively and efficiently.

This year we will form a new Stakeholder Advisory Committee.

I would like to extend my thanks to all of SAC members that came to us from the OPA and former IESO – your input has been instrumental. Once formed, the new SAC will carry the torch, continuing to provide a voice for all segments of our industry.

And we continue to seek stakeholder input into the market development initiatives, such as demand response and capacity auctions. These new market mechanisms promise to enable efficient and cost-effective solutions to Ontario's incremental capacity needs. There is still a lot of work to be done to finalize the design elements, and the stakeholder feedback we receive will help inform the outcomes.

We will also continue to engage municipalities, the general public and LDCs in our regional planning efforts. There are currently nine active studies, with more to come. Thank you to those of you who have participated so far.

This is just a snapshot of some of our stakeholder engagement efforts that are ongoing, and we look forward to continuing to work with you in the months ahead.

I'd like to talk now about how the IESO and LDCs can work together going forward to achieve our common goals.

As you know, 2015 marked the beginning of the six-year Conservation First Framework. This is a key deliverable for both the IESO and LDCs, and it's no minor undertaking.

To create a culture of conservation, we have to change established behaviours, convincing Ontarians across the province to think differently about electricity and how they use it.

Education will be central to our efforts. Together, we will promote conservation through a new marketing strategy that will continue to leverage the brand recognition associated with saveONenergy.

Equally important to our conservation efforts is encouraging and funding innovation.

We're seeing new programs across the province that are finding new ways to engage consumers. Hydro One, Milton Hydro and Horizon are currently overseeing social benchmarking pilots, for example.

Milton Hydro's social benchmarking pilot—the Community Energy Challenge—takes a unique approach by allowing customers to associate their home with a school, challenging schools to best each other's conservation efforts. Taking advantage of the competitive nature of schools is a novel idea, and a great example of the many ways that we can engage consumers.

The IESO funds innovative programs through its Conservation Fund. After the positive response to the LDC Innovation Stream, which launched in 2013, the IESO's Conservation Fund has allocated \$70 million for LDC-lead pilot programs for the six-year Conservation First Framework period.

So far we've funded nine pilots with six LDCs – many with significant conservation integration opportunities with natural gas and water.

At the IESO, Terry Young—who is here this morning—is leading the charge on conservation. Terry took over the conservation file after the merger—in addition to overseeing Corporate Relations.

Terry's experience in working with stakeholders and ensuring the IESO's business strategy reflects the needs of the sector is one of the key reasons I wanted him overseeing this part of our business. The success of the Conservation First Framework will be based on how well the IESO and the LDCs can work together.

We have signed energy conservation agreements with all 75 LDCs, and we are now in the process of reviewing and signing off on the CDM plans that are being submitted.

I would like to congratulate you for your efforts to date, and we look forward to working with you to help you achieve your targets.

Another topic of mutual interest to the IESO and LDCs, and one that is related to our conservation efforts, is the enhancement of the smart meter data repository or MDMR.

The MDMR offers significant value for designing conservation and demand response programs, system planning, policy development, academic support and to support innovation in Ontario.

The IESO and LDCs need to work together to make sure we get the most out of the data in the MDMR. To capture this value we will need to ensure that the data repository is provided with common data fields from all LDCs. This is particularly important given the collaboration between LDCs that is expected over the Conservation First Framework timeline.

There is also a need to develop an agreed or mandated framework or protocol that governs access to meter data, and builds in Privacy by Design. Defining these rules now will provide us with a solid foundation for supporting requirements for data access in the future.

In addition to these changes, the IESO will implement infrastructure reinforcements, including an MDMR Data Mart, which will support the increasing volume of data retrieval requests.

We will continue to work with LDCs over the coming months to enhance the data set in the MDMR.

There are other emerging trends that will require collaboration between the IESO and LDCs, most notably the expanding role of the consumer.

Increasing embedded generation, electrification of vehicles and more demand management opportunities are disrupting the traditional functions of the LDC and, by extension, the system operator. Our world needs to evolve to one of a more coordinated or integrated model of distribution and transmission decision-making, resulting in more intelligent solutions for the consumer.

Whether we tackle these challenges one at a time, or whether we opt for wholesale change—similar to the overhaul being considered in New York, which would give LDCs responsibilities similar to the ISO—we will need to work together and be cognizant of the fact that the status quo won't be sufficient.

So let's continue to have open, two-way dialogue about the challenges ahead, and work together to find mutually beneficial solutions.

Ontario's electricity sector has always benefited from a strong relationship between the IESO and LDCs, and these ties are now more important than ever.

Thank you for your attention.