



Notes for Remarks:

Association of Power Producers of Ontario

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Check Against Delivery

Good morning, ladies and gentlemen. It's a sincere honour and privilege to be here to talk about an exciting project that will so positively impact us all – market renewal. Though I'm new in the project's leadership role, I've had a vested interest – as we all do – in its outcomes.

My interest has been beyond that of an IESO executive. As many of you know, I've had several roles in my career, ranging from market development to market operations, including managing several previous renewal initiatives. So, my new leadership responsibilities, and in particular this project, are really a natural fit for me. Now, I'm responsible for designing *and* implementing our new market, and for eventually operating it.

And to get one of the most important things out of the way up front – market renewal continues as a high priority for me and the IESO as a whole. No question about it.

It's a high priority because we need these changes. Former U.S. President Bill Clinton once said, "The price of doing the same old thing is far higher than the price of change." I have to agree. We who operate or work within the current electricity marketplace can't afford to do the "same old thing" any longer.

We have to change because, as you know, the marketplace in which we are working is almost two decades old. It is not as efficient or effective as it could be for either market participants or consumers. It was implemented at a time when we had large centralized power plants – including coal powered plants – providing electricity to passive consumers.

Since then, things have changed. Dramatically.

Since the market opened in 2002, we have experienced an unprecedented pace of change in the electricity landscape. New technologies are evolving and emerging, and we have more engaged consumers wanting to see their environmental priorities reflected in government action.

These changes are challenging the ability of the existing design to deliver on expectations and meet needs as efficiently as possible. So, fundamental structural changes to the market are required to address the inefficiencies and create a strong, robust foundation for the future.

Business-as-usual or Band-Aid fixes that have been done in the past are no longer an option.

And now is the time to move forward with strategic and substantive changes. We have a stable supply of electricity to meet demand well into the 2020s, a full understanding of the market's inefficiencies and design flaws, and the benefit of the experience of other ISOs that have undertaken similar change.

So, making changes is what we're doing.

For so long, the market has been mostly about energy – but our supply mix has changed and so have our needs. By unbundling the different services that we need, such as flexibility, we are introducing efficiencies but, more importantly, more competition into the market.

And we are doing that “untangling” by focusing on three work streams that we refer to as energy, capacity and operability. The goal of each of these is to send clear and transparent price signals for those different products.

The initiatives in the energy work stream are about significantly improving how electricity resources are scheduled and dispatched day-to-day, hour-to-hour and in real time, based on accurate, transparent price signals that are established on a locational basis. By more efficiently scheduling electricity resources to meet provincial demand, this work stream will help to reduce overall system costs. Specifically, stakeholders are working with us to create a Day-Ahead Market based on a Single-Schedule System, as well as an Enhanced Real-time Unit Commitment to improve dispatch in real time.

The efforts in the capacity work stream are about improving the way Ontario acquires supply to meet medium- and long-term needs. The introduction of a competitive auction in which a wide range of technologies can compete will help to ensure that the province’s reliability needs are met at the lowest possible cost.

The operability work stream initiatives are about increasing the operational flexibility of existing and new resources by making better use of those resources and the interconnections with other jurisdictions. This work stream will help to ensure our system can reliably and efficiently respond to unexpected, short-term changes in supply and demand.

So, that’s the plan ... at the 10 thousand foot level. It would take all day to go into the kind of detail that I would *like* to share with you.

What I can tell you is about where we are in the plan. Work began in early 2016 but really ramped up in the fall of last year. However, the last few months has seen a pace of activity on this file that has been – well – quite remarkable.

It all started with the creation of the stakeholder engagements tasked with designing a Single Schedule Market and an Incremental Capacity Auction so, of course, those initiatives are furthest along in the development process. Both have finished the first – or fundamentals – phase when participating stakeholders get up to speed on the underlying design considerations.

They are, in fact, well into phase two, when there is an in-depth review of the design options and preliminary design decisions are being made. It's a lengthy process because for each design element a wide range of options exist, each involving trade-offs between overall market efficiency and impact on individual participants.

And recently – because there wasn't clearly *enough to do* – we have added two new stakeholder engagements – Day-Ahead Markets and Enhanced Real-time Unit Commitment.

While these projects are more long-term, there are some changes that can and are being made to provide more immediate benefits. We recently introduced capacity exports to New York so Ontario-based resources are now receiving payments from consumers across the border for capacity that is currently in excess of our needs. This is the first step in ensuring we more efficiently use our assets not just in the province but also across the region. We are also working to enhance our demand response auction and our operating reserve market to make sure we drive greater efficiencies.

While we implement these short- and long-term design changes, we are also keeping an eye on what's next – what happens after everything is done and in place. This is of keen interest to me – again not just because of my long time in the sector – but because part of my new role at the IESO also includes responsibility for long-term planning and resource procurement. As the market renewal initiative progresses, we are ensuring

that all elements are aligned. This is critically important because I want to make sure that we find a place to start conversations about the future.

But, I have to say, *none* of what I've talked about will be successful without our stakeholders. Our stakeholders not only bring their important perspective to the discussions about the many, many design decisions that need to be made but also they flag issues and concerns for us. For example, we heard – loud and clear – that you want to know about how existing contracts may be impacted by what's happening. I want to assure you that market renewal is about the facilitation of the move to the new market, not about extracting value out of those contracts. The discussions with contract counterparties have begun, and we look forward to working collaboratively to work out any required changes.

In the same vein, we also heard from the non-emitting resources sector who don't currently see a place for themselves in the new market design. To address their issues, we created a separate working group to help inform the design of market renewal, in light of Ontario's clean energy supply mix. Their report outlining the results of their research is expected later next year.

But really, when it comes down to it, the question is how will we know that we've been successful in preparing ourselves for the future?

I know we will be successful – that all the invested time and effort was worthwhile – because we will have a competitive marketplace that is efficient, transparent and flexible. It will be a marketplace that acquires resources cost effectively and at the right time.

It will be a marketplace that will be able to adapt more nimbly to an electricity landscape that we *know* will continue to evolve and change. It will also be one that fosters more innovative approaches to providing electricity to Ontarians.

It will be a marketplace that flexibly accommodates more engaged consumers, new and innovative technologies, and changes in demand or to the resource mix. It will be a stable market on which both consumers and market participants can rely. And, it will be one that provides certainty for those who want to invest with confidence and one that rolls easily with policy changes.

Is all this work going to mean the end of changes to the market? The answer is no. What it does is give us the solid foundation so that we can make amendments in the future. It gives us a robust marketplace for participants and one that will continue to ensure that Ontarians have a stable and reliable supply of electricity.

The bottom line is that market renewal is about *doing things better*. It's about improving the way we price, schedule and procure electricity to meet our current and future energy needs reliably, competitively, transparently, efficiently and at lowest cost.

I know that there are some in the sector – many in the room today – that are skeptical and/or concerned about the role that they will play in the new marketplace. I get it.

We need the voices of all the stakeholders at the table in order to better understand those concerns.

I do want you to know that, even though I've been in my new role for only about three weeks, I'm already hearing loud and clear that we are asking a lot of you. We

appreciate that the market renewal project has some very ambitious deadlines and meeting schedules and appreciate even more the time and commitment of the stakeholders who have stepped forward to help shepherd in this change. Their input has been – and continues to be – invaluable.

In the coming weeks, I will be reaching out to hear first-hand the perspective of our market stakeholders. I want to hear how we can streamline our engagement activities while ensuring that the project continues to move forward. I want to know what is working well and in what areas we need to continue to improve.

But don't wait for me to get in touch, please join any of the current and ongoing discussions. There are many ways to be involved. I suggest anyone interested should reach out to our engagement team for more information.

I'll conclude this morning with some wise words from another world leader. Former British Prime Minister Winston Churchill said that, "There is nothing wrong with change, if it is in the right direction."

I know we are moving in the right direction.

Thank you for your time and attention.

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