

Memorandum

To: Stakeholder Advisory Committee

From: Shawn Cronkwright, Director Renewables Procurement on behalf of
JoAnne Butler, Market and Resource Development

Date: May 5, 2016

Subject: IESO Business Update – Market Renewal

The IESO has launched a new engagement where stakeholders can participate in and provide feedback on the development of a work plan for renewing Ontario's electricity market design. The work plan will set out specific market design changes to be implemented holistically over the coming years and will define target timelines for completing the work. The plan will allow the IESO and stakeholders to address known challenges with the existing design while also laying a solid foundation for a more dynamic energy market to meet future needs.

The Market Renewal engagement is a product of the IESO and market participants' experience with the limitations of the current design along with the findings of a number of market development studies completed in recent years. IESO believes it is an opportune time to move forward on market changes now during a period of relative stability. Moving forward with market renewal will mean that Ontario is well-positioned to handle future needs and challenges.

The first stakeholder meeting for the engagement took place April 19. At this meeting, the IESO provided a retrospective on Ontario's electricity market and outlined some of the inherent problems in the current design that a work plan can address. The IESO also discussed objectives for market development and presented a high level proposal for an integrated work plan to evolve the real-time market and develop capacity as a separate tradeable product. The IESO has proposed replacing the current two schedule pricing system as an important foundational project in order to facilitate additional market development initiatives. Future meetings will consider the prioritization and sequencing of projects as well as explore specific elements in greater detail. Stakeholders will also have the opportunity to provide input on the

quantitative and qualitative analysis that the IESO will undertake to support the Market Renewal project.

While the work plan addresses a number of known issues, emerging issues have the potential to overlap with work plan projects, for example:

- Operability issues may require changes to energy markets or even development of additional market mechanisms;
- In addition, there may be other market improvement work that will have to be managed in parallel.

IESO will have to adequately assess the need and time for any such improvements in light of the structural changes under the Market Renewal work.

Next Steps

IESO has asked stakeholders to provide feedback on the proposed work plan and objectives as well as the overall structure for the engagement plan. Given the scope and technical nature of elements of this engagement, the IESO is seeking stakeholders' perspectives on whether the formal public sessions should be supported by a standing committee/working group. IESO has also proposed targeted outreach and information sessions as part of this engagement; feedback has been requested by May 6.