

# IESO Stakeholder Advisory Committee Meeting Notes – August 22, 2018

## **Advisory Committee Members:**

Mr. Steve Baker (representing Energy Related Businesses and Services)  
Mr. Nicolas Bossé (representing Energy Related Businesses and Services)  
Mr. David Butters (representing Generators)  
Ms. Judy Dezell (representing Ontario communities)  
Ms. Brandy Giannetta (representing Generators)  
Ms. Julie Girvan (representing Consumers)  
Mr. Jim Hogan (representing Distributors and Transmitters)  
Ms. Rachel Ingram (representing Energy Related Businesses and Services)  
Mr. Ted Leonard (representing Energy Related Businesses and Services) (on phone)  
Mr. Paul Norris (representing Generators)  
Mr. Mark Passi (representing Consumers)  
Mr. Mark Schembri (representing Consumers)  
Mr. James Scongack, Vice Chair (representing Generators)  
Mr. Hari Suthan (representing Energy Related Businesses and Services)  
Mr. Terry Young (representing IESO)

## **Absent:**

Mr. Brian Bentz, Chair (representing Distributors and Transmitters)  
Mr. John Beaucage (representing Ontario Communities)  
Ms. Darlene Bradley (representing Distributors and Transmitters)  
Mr. Frank Kallonen (representing Distributors and Transmitters)

## **IESO Board Members:**

Mr. Murray Elston  
Mr. Peter Gregg  
Ms. Susanna Han (on phone)  
Ms. Margaret Kelch  
Dr. Timothy O'Neill (on phone)  
Ms. Deborah Whale

## **Presentations:**

Mr. Peter Gregg  
Ms. Katherine Sparkes  
Ms. Barbara Ellard

## **Agenda Item No. 1: Welcome**

Mr. James Scongack welcomed everyone to the third SAC meeting of 2018.

September 20, 2018

Please report any comments by email to [engagement@ieso.ca](mailto:engagement@ieso.ca)

## **Agenda Item No. 2: IESO Business Update**

Mr. Terry Young introduced the IESO executive leadership team members in attendance and introduced a new member: Barbara Anderson, Chief Financial Officer and Vice President, Corporate Services.

### **Conservation**

The conservation memo provides an update on the 2018 results, including the delivery status for the Home Assistance Program and the Indigenous Conservation Program.

The IESO recently concluded the Ontario Municipal Energy Profile study, designed to enable municipalities to embrace greater cost-saving measures.

### **Stakeholder and Community Engagement**

The IESO expects to launch engagement efforts during this quarter to seek input on an Integrated Regional Resource Plan for the regions of York, Toronto, and Windsor-Essex.

Two regional forums will be held this fall, one in Waterloo on November 8 and one in Timmins on November 22. Two more regional forums will be held in spring 2019 in Thunder Bay and Kingston.

The IESO will host its second annual First Nations Energy Symposium October 22–24 in Toronto. It will focus on regional and bulk planning, transmission procurement and innovative projects across Canada. The IESO is also working with the Métis Nation of Ontario toward hosting a similar Métis Energy Symposium later this year.

A new initiative is under way with respect to IESO governance and decision making. The IESO is looking for advisory group members to consider feedback from four input sessions that were held this year. The feedback will help the IESO develop recommendations to bring to the IESO Board. Nominations close this week.

The 2018 Technical Planning Conference will be held in Toronto on September 13 to support greater transparency within IESO planning processes. It is hoped the conference will become an annual event. The morning session will provide an opportunity to learn about the current adequacy outlook and how the IESO's electricity planning processes and products will evolve toward a more competitive electricity market. The afternoon session will focus on transmission planning processes, including procurement processes, and a proposed engagement plan.

A monthly engagement update is available providing more detail about each initiative.

### **Comments**

Mr. Paul Norris asked for clarification on the date of the Technical Planning Conference. Mr. Young confirmed it is September 13. Mr. Norris noted that the Métis Nation of Ontario received access to significantly improved resources for development and asked whether those funds are ongoing. Mr. Young replied that funds are still available.

Mr. Jim Hogan said he hopes the IESO will be open to working with local distribution companies (LDCs) on conservation. Some LDCs have used up their budgets and are challenged to provide benefits to customers. They need IESO support. Mr. Young replied that the IESO is seeing situations that were not

anticipated when the Conservation First Framework was created in 2014. The IESO is now engaging directly with LDCs in specific situations.

Ms. Judy Dezell commented that incentives are designed to get people to conserve energy. She asked what impact the new Conservative government in Ontario will have on incentives. Mr. Young said it is too early to know. No discussions have been held yet with the new government.

Mr. Mark Schembri asked whether province-wide program delivery is expected to increase. Mr. Young said that as the LDCs decide on targets within their budgets, the IESO will want to ensure that province-wide programs continue to be offered. About a year ago the IESO received a ministerial directive stating that if an LDC is unable to offer the programs, the IESO must step in to assist.

Ms. Julie Girvan asked whether transmission procurement would become more competitive. Mr. Leonard Kula, IESO, replied that planning-related initiatives, including a bulk planning process, a transmission procurement process, and an asset end-of-life review, came out of the 2017 Long-Term Energy Plan (LTEP). A transmission procurement process will allow the IESO to seek a competitive transmission solution under the right circumstances. Ms. Girvan noted that the Ontario Energy Board (OEB) is undertaking a transmission procurement process for the East-West Tie line and asked whether this will change. Mr. Kula said it will.

#### Comment from the Phone

Mr. Patrick Brown, Hydro Ottawa, requested an update on plans for initiatives related to the implementation of the LTEP. He asked about the next steps for various initiatives, considering the recent change in government. Mr. Young replied that the IESO is currently discussing the 10 LTEP initiatives. Mr. Brown commented that the Renewable Distributed Generation Integration Fund got off to a good start, but the change in government has created uncertainty for stakeholders, especially with respect to virtual net metering demonstrations. Any information from the IESO would be welcomed. Mr. Young acknowledged the request.

#### **Agenda Item No. 3: 2019–2021 Business Plan**

Mr. Peter Gregg provided an overview of the 2019–2021 business plan. He said the IESO's core mandate is to maintain the reliability of the power system as efficiently as possible. Market renewal is a key theme and will address inefficiencies in the current system to meet tomorrow's reliability needs. The upfront costs are far outweighed by the benefits expected from market renewal: up to \$5.2 billion over a 10-year period.

Another priority is to implement a comprehensive cybersecurity program. Mr. Alex Foord and Mr. Gregg are very involved in this effort.

Power system and regional planning remain a priority. By year end, six different planning processes will be under way with more to come next year.

There is a renewed focus on innovation as the IESO looks to identify and remove barriers to emerging technologies.

The IESO wants to have effective engagement with stakeholders and seeks to expand relationships with municipalities, Indigenous communities, and others.

The IESO will file its business plan with the minister on September 4. It will seek IESO Board approval next week.

With respect to the IESO's revenue requirement, some demands would increase costs, and these need to be managed. The government also has an objective to manage its costs across the sector. The IESO will try to keep its revenue requirement flat for the next year and will consider any inherent risks in doing so. The executive leadership team is meeting today to continue this discussion.

The goal for the years that follow will be to keep revenue requirements to a maximum of consumer price index increases.

Work has been done on how the enterprise risk management framework informs corporate performance measures. The framework will gauge whether targets are being met and will build in a level of accountability.

### Comments

Ms. Brandy Giannetta said it is good to hear that affordability is a priority, with emerging technology being an important consideration. She asked whether there is a balance to be struck between new technologies and optimized existing assets. Mr. Gregg noted that the question would be addressed by Ms. Katherine Sparkes in Agenda Item No. 4 on the innovation roadmap. With respect to the IESO's statement that "insufficient support from key stakeholders and communities impedes the IESO's ability to effectively pursue key initiatives" (slide 12), Ms. Giannetta said stakeholders could bring much more to the table if the conversation were expanded. Stakeholders want to know what more they can do. Mr. Gregg said the thinking was not that stakeholder input has been insufficient, but that there is a risk that it would be insufficient if the IESO does not do its job well. Mr. Young said the IESO is looking at new input streams. Mr. Gregg said discussions would be expanded beyond market renewal.

Mr. Norris said he is happy to hear there is a range of potential savings for ratepayers within market renewal, between \$2.2 billion and \$5.2 billion. He said he expects that in 2019, after considering the High Level Design (HLD), the IESO will hone in on what the actual cost savings are. He recommended that the \$5.2 billion number not be used when speaking to government because it is an unknown figure at this time. Mr. Norris said he would like to see stakeholder discussion in 2019 regarding resource acquisition targets because some elements of market renewal, specifically the Incremental Capacity Auction (ICA), may not be sufficient for the acquisition of some resources. Mr. Kula said the IESO is trying to choose targets that will dominate its activities next year. The performance measures were designed to include everything that is being done in all spaces.

Mr. Steve Baker said the IESO should not lose sight of existing assets. A significant amount of energy storage in natural gas is tied to existing generators. There should be discussion around maximizing existing assets and facilities.

Ms. Rachel Ingram asked for insight into the types of dialogue the IESO has had with the new government. Mr. Gregg replied that discussions to date have been with the bureaucracy. The new deputy minister is being briefed on issues.

Mr. David Butters said there is potential for innovation regardless of asset type. It is important to think about opportunities to put things in place that will help to incent innovation. There are win-win opportunities for the system, ratepayers, and asset owners to extract more value. Mr. Gregg said the IESO's focus on affordability is always tempered with a focus on reliability. Mr. Butters recommended looking at existing assets before new ones.

Mr. Schembri noted that the business plan update contained no reference to electrification of the transportation sector. Mr. Gregg said Metrolinx would take the lead on that. Mr. Gregg said that he has met with the CEO of Metrolinx and expects the IESO could play a role.

Mr. Mark Passi asked how the energy system performed this summer. Mr. Gregg replied that the amount of demand was challenging, and the system worked exceptionally well. The IESO kept an eye on forest fires and low water levels in the north of the province. Mr. Kula said the IESO has changed how it manages equipment outages, and in recent years has put more focus on managing extreme weather. As a result, new criteria guide decisions about what equipment can be removed for normal maintenance without affecting reliability. This year's hotter-than-normal summer was expected, and there was good cooperation from transmitters.

#### Comments from the Floor

Mr. Andrew Teliszewsky, Opus One Solutions, said the IESO business plan provides an opportunity to impart a vision. He asked how system operators and regulators will intersect as the system evolves and how this will look for stakeholders interfacing with the IESO. Mr. Gregg said this has been a focus of the executive leadership team. The business plan is informed by discussions around the IESO's identity and mandate. However, it is premature to give a full sense of what it looks like.

#### Comments from the Phone

Mr. David Katz, Sustainable Resources Management Inc., asked whether incentives for the GreenON program would carry on in the framework of electric utility programs. Mr. Young replied that the GreenON program will not continue.

#### **Agenda Item No. 4: Innovation Roadmap**

Ms. Katherine Sparkes said the role of the IESO is to remove barriers to innovation and participation in electricity markets. Innovation will appear in emerging technologies, new solutions, new business models, and deployment methods and IESO needs to understand these changes in order to prepare for them. Innovation also informs how the IESO carries out its business. The IESO must be innovative to keep revenue requirements flat in the face of increasing demands.

The starting point for the innovation roadmap is to look for base challenges for market participants and consumers. Scenario planning will help to determine a focus.

#### Comments

Ms. Giannetta asked whether the IESO's role could be to provide a strong market signal as well as signal stability, and whether efficiency could drive the IESO's approach to innovation. She asked whether the

IESO has a roadmap, and, if not, she recommended choosing one so that stakeholders can know the available options. There are many good initiatives that could be aligned. Mr. Young agreed that alignment is needed. There cannot be multiple roadmaps.

Mr. Hari Suthan said it is critical to harness the innovation in the direct/embedded (TX/DX) interface. He noted that an optimal level of distribution and transmission would play well in the innovation landscape, and some clarity about the impacts of this would be helpful. Ms. Sparkes agreed that the TX/DX point is important in terms of how partnerships between the private sector, LDCs, the IESO, other levels of government, and partners beyond Ontario's borders can be leveraged to take advantage of one another's resources. Mr. Suthan commented that the innovation of National Grid UK, the electricity system operator in the United Kingdom, represents a fusing of innovative projects.

Ms. Dezell said she does not see within the innovation discussion an anchor to existing assets. Flexibility is required. Existing elements must be integrated into the roadmap. The roadmap needs to look at how existing assets might be used in novel ways to address important challenges. One of the killers of innovation is to say, "We've always done it this way." She asked how the IESO might address resistance to change. Ms. Sparkes replied that it is best to start with the problem rather than with the solution. With respect to resistance to change, existing players are focused on improvements, and this is forcing others to adopt their mindset. It is about working together. The storage community is quickly coming together on a set of barriers to address. Multiple LDCs and technology companies are putting competitiveness aside to work on smart grid initiatives.

Mr. Passi said the context and assumptions that stakeholders hold moving into the innovation process are important, along with an understanding of the barriers and constraints. As Mr. Norris noted earlier, there is no stream for long-lead-time, capital-intensive assets. Stakeholders need to know what the constraints are because without context there cannot be one clear roadmap.

Mr. Norris asked whether the scenarios being planned within the innovation roadmap are the same as the scenarios and modelling initiatives for electricity futures that are being planned by the Non-Emitting Resources Subcommittee. It appears that various scenario-planning and modelling initiatives exist in different contexts. Ms. Sparkes said the scenarios should be brought together to see what is likely to happen in the next several years and what should happen further out.

Mr. Norris asked whether the IESO sees itself as a driver of innovation or as a remover of barriers. Mr. Gregg said it is a remover of barriers.

Mr. Baker said everyone around the table must clearly understand what the goal is and what the existing problems and challenges are at the front end. He said they have to keep in mind that consumers look at energy in total, not just at electricity, to reach an integrated solution and that the IESO should consider the broader energy sector.

Ms. Girvan asked whether the IESO is aware of what the OEB is doing with respect to innovation in the group it has convened on the subject. Mr. Young replied that the IESO is unaware of what the OEB is doing because the IESO was not invited to participate in the OEB's group.

Mr. Schembri asked whether the IESO has an appetite to work with multi-embedded LDC consumers. He said he is hopeful that the opportunity for innovation will continue. Mr. Young said there is an appetite. The IESO wants to develop partnerships and recognizes the value that everyone brings.

Ms. Ingram said when she thinks of innovation she thinks of challenging the status quo. The IESO should be agile and should respond quickly to pilots and test initiatives. It will be difficult for the IESO to provide funding for innovative projects while keeping its revenue requirement flat. It may be necessary to amend or suspend market mechanisms that make it difficult for innovation to happen, and to test these changes out. As well, the IESO should be prepared for some innovations to fail and be ready to learn from these failures. Ms. Sparkes replied that agility is challenging but not impossible.

Mr. Suthan said innovation is not perfect, nor should it be. He agreed that agility is the key. The IESO is used to long-term planning, but technology moves fast.

Mr. Scongack said his chief concern about innovation is that there is no guarantee that the new initiatives will save money. Solutions are required that show real benefit. Generators are prepared to take risks, but there must be a benefit to ratepayers. Second, Ontario is a relatively small jurisdiction in the world; it does not have to be the first to pursue every innovation. Mr. Scongack indicated that the IESO needs to prioritize amongst the challenges facing the electricity system and sector and that stakeholders/interested parties must be prepared to help the IESO set these priorities and acknowledge trade-offs. Ms. Sparkes noted that one of the goals of the roadmap is to set priorities and clearly indicate what activities/topics will need to be deferred/left to others in light of resource constraints.

It was noted that the IESO should focus on technology neutrality in removing barriers to the innovation of others – don't pick winners and losers; create markets and systems that allow technologies to compete on the basis of their ability to provide necessary services.

#### Comments from the Phone

Mr. Ted Leonard said it is encouraging to see the IESO playing a role in innovation and believes it will drive future cost savings. Mr. Leonard stated that it is necessary to have programs to trial innovation and to assist in minimizing the risk to innovators. Establishing appropriate support systems to help innovators understand the Ontario market context would help bring innovation to this market. Systematically favouring existing assets will discourage innovation since innovators won't bother looking to do pilots if there is no longer term opportunity.

#### **Agenda Item No. 5: Market Renewal Program**

Ms. Barbara Ellard said the IESO is entering a pivotal phase with the upcoming issue of the first HLD. Preliminary design decisions have been made based on stakeholder engagement during the past year.

The energy capacity work stream is comprised of the Single Schedule Market (SSM), the Day-Ahead Market (DAM), and Enhanced Real-Time Unit Commitment. The SSM is the enabler of the other two. The IESO will issue the first HLD by the end of September, and this will be followed by an eight-week feedback period, including a question and answer session. By the end of 2018 all three HLDs will be ready for stakeholder commentary.

Education and awareness sessions will be conducted to gain a resource-specific view of what the energy market will look like. These sessions will pinpoint areas of interest as the process transitions into the detailed design phase.

By spring 2019 a draft HLD for the capacity stream will undergo a similar engagement process. The Market Renewal Working Group (MRWG) will transition from HLD work to a permanent committee that will tackle the detailed design phase of engagement.

Mr. Nicolas Bossé asked Ms. Ellard to speak about the structure and operation of the permanent markets committee before inviting stakeholder comments. Ms. Ellard said draft terms of reference for the permanent markets committee would be produced in September. The vision of the committee will guide the IESO.

### Comments

Mr. Bossé asked whether the permanent markets committee would inform today's SAC discussion on innovation. Ms. Ellard said where innovation starts and stops and where it bleeds into the market is a seams issue that the markets committee will need to be aware of and have guidance on.

Ms. Girvan asked who decides on the draft HLD and whether it is a consensus among committee members or an IESO management decision. Ms. Ellard said the projects are broken into roughly 20 design elements, each with a multitude of options. The IESO received feedback from stakeholders and arrived at preliminary decisions. These decisions went through another round of feedback. Ms. Girvan asked whether it was IESO management that ultimately made the decision. Ms. Ellard replied that it was. Ms. Girvan said some stakeholders would not agree with the decision.

Mr. Hogan said he is pleased that the IESO will start engaging with distributors. A significant amount of money is being settled through LDCs, and it is important to get it right. He asked when the IESO would look at how customers are going to pay in the new energy market. He said he does not want to see residential customers paying differently in different regions. Ms. Ellard said the project itself will be paid for through the IESO's regular business processes. With the introduction of SSM, a uniform, province-wide price for customers will be calculated. Pricing for directly connected customers will change by roughly 14%.

Mr. Norris said that when the HLD is issued, the points of disagreement should be clearly articulated. When the ICA comes out, there will be documented areas of concern. The plan to educate people is a good one. He recommended revisiting the benefits case and letting people know the projected savings of each initiative. There should be an indication of benefits for customers, whether they are on the projected high end at \$5 billion or the low end at \$2 billion. Ms. Ellard said there must be clear a linkage between the projected costs and the business case.

Mr. Bossé asked whether the HLD has been approved by the Technical Panel, the IESO Board, or the OEB. Ms. Ellard said it is a stakeholder document that will guide design and implementation. Mr. Bossé asked whether there would be a role for a third party in cases of fundamental disagreements between the sector and the IESO. Ms. Ellard said the question is tied to the current decision-making engagement with stakeholders. Mr. Young said the IESO Board approves the market rules, but before that there is a rigorous stakeholder engagement process. The Technical Panel discusses the specific rules. If there is disagreement, it is presented to the IESO Board. Mr. Bossé asked where these discussions appear within the timeline. Ms. Ellard said the rules and manuals are to come in the detailed design phase, which is a 2019–2020 activity.



Ms. Ingram asked whether the markets committee will have a role in the development and amendment of market rules and market manuals and whether there will be a new role for the Technical Panel. Ms. Ellard said the question is tied into decision-making processes now taking place. The MRWG terms of reference document do not define a role with respect to the market rules; that role resides with the Technical Panel. The evolution of the MRWG has not yet been discussed. Mr. Young said discussion outcomes will be posted on the IESO website.

Mr. Butters said the decision to create an enduring markets committee should be part of the advisory group discussion. It sounds like the IESO has already decided how the committee will work. Second, the HLD process is good, but formal recognition is needed at the end to ensure substantial consensus and to ensure there is a way to manage disagreements. Ms. Ellard said the IESO sees a need for a permanent markets committee to help the IESO achieve the final vision. The terms of reference will not be drafted until decision making has concluded. Mr. Young said the IESO has not had discussions about how the enduring markets committee will work.

Mr. Butters asked whether the enduring markets committee is a placeholder, a part of the new decision-making process that has not been fleshed out. Mr. Young said the committee is a forum for discussion. Mr. Butters asked whether stakeholders and the IESO would jointly develop the committee. Mr. Young replied that this will be the case.

Mr. Baker asked how the education would be done for all three components of the energy stream. Ms. Ellard said the education and awareness initiative is for the energy work stream as a whole. It will provide a holistic view of SSM, DAM, real-time, and settlement. Mr. Baker asked whether stakeholders would sign up for education on an individual basis. Ms. Ellard said the engagement plan has not been finalized.

Ms. Dezell said municipal council members are involved in upcoming elections and will not be able to engage until January 2019. She suggested that the education provided to them should include some history of the IESO so that they have an understanding before they arrive for discussions. Mr. Young acknowledged the point.

Ms. Giannetta asked whether there would be time for the SAC to discuss the interim committee and its terms of reference before the committee becomes an entity. Mr. Young said yes. Stakeholders will be invited to provide input at the October meeting.

#### Comments from the Floor

David Dent, Union Gas Limited, asked whether, when, and how ramping services are being integrated into market renewal. Ms. Ellard said it was decided last year to get through the HLD phase before beginning the broader discussions about what components will be needed.

Ms. Christine Dade, Ontario Ministry of Energy, Northern Development and Mines asked whether ratepayers would see cost reductions through the Global Adjustment (GA). Ms. Ellard said the energy stream is looking at energy and uplift for cost reduction, not GA.

Mr. Steve Nusbaum, IESO's manager of capacity, said the plan is to mirror the GA mechanism in terms of costs incurred through the capacity auction. Over time, GA cost should fall as efficiency is gained in securing capacity. Ms. Dade replied that using another form of GA would not be well accepted within the

market. The cost of GA is high, and built into Regulated Price Plan pricing. There should be an effort to decrease the GA. Ms. Ellard said the IESO is not looking at the structure or the way it is recovering GA as part of market renewal. The capacity market aims at finding efficient, low-cost ways to secure capacity. In the absence of market renewal, the GA would be a mechanism to continue to contract for capacity. Ms. Dade said this would be very hard for market participants to accept. Location pricing will also be a sensitive issue.

Mr. Norris said it would be helpful to have an education session for SAC. Mr. Young said the IESO would think about how to include this in SAC agendas going forward.

**Agenda Item No. 6: Other Business**

There was no other business.

**Agenda Item No 7: Adjourn**

Mr. Scongack thanked everyone for participating. The next meeting will be held on October 17.