

Market Renewal Working Group

July 19, 2017

Minutes of Meeting

Date held: July 19, 2017	Time held: 8:15 – 4 pm	Location held: Crowne Plaza Toronto Airport
Invited/Attended	Company Name	Attendance Status Attended (A); On the Phone (P)
Abdelnour, Francois	IVACO	A
Anderson, Colin	AMPCO	A
Agavriloai, Ioan	IESO	A
Applebaum, David	NextEra	
Belanger, Frederic	HQEM	A
Butler, Joanne	IESO	A
Butters, Dave	APPRO	A
Chapman, Tom	IESO	A
Clipsham, Paul	CME	A
Coulbeck, Rob	Goreway	A
Cowx, Emay	Navigant/Decision Partners	A
Deweese, Don	MSP	A
Dottori, Paul	Tembec	A
Ellard, Barbara	IESO	A
Forsyth, David	Gerdau	
Griffiths, Sarah	EnerNOC	A
Grunfeld, Benjamin	Navigant	A
Kuntz, Margaret	TransCanada	A
Lasowski, Frank	Milton Hydro	
Louw, Brennan	IESO	A
Ma, Alexander	Invenergy	
Matsugu, Darren	IESO	A
Nusbaum, Stephen	IESO	A
Philips, Patricia	Energy Storage Canada	
Rioux, Jason	NRSTOR	
Samat, Sushil	Northland Power	
Sapona, Ingrid	IESO	A
Sachs, Matthew	Peak Power	A
Sathe, Neetika	Alectra	A
Subramaniam, Hari	Opus One Solutions	
Tanner, Matt	Navigant	A
Tuck, Jennifer	NextEra	P
Warren, Robert	WeirFoulds	
White, Adam	Power Consumer	A
Wizniak, Lynn	OPG	A

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Wu, Julien	Brookfield	A
Scribe: Ingrid Sapona (Ingrid.Sapona@ieso.ca) -- Please report any corrections, additions or deletions by e-mail to scribe.		

All meeting material is available on the IESO web site at:

<http://www.ieso.ca/en/sector-participants/market-renewal/market-renewal-working-group>

Decisions Reached/Action Items

The MRWG agreed on the following:

- 1) It was agreed that a certain level of participation is required to remain a member of the MRWG, acknowledging that members have busy schedules and it is not always possible to attend every meeting.
- 2) The IESO will draft wording to create clear rules and expectations regarding member attendance and will circulate for review.
- 3) Going forward, the co-chairs will be responsible for managing attendance and encouraging participation. It was generally agreed that membership should not be at the sole discretion of co-chairs, but managed according to an established process.
- 4) The IESO will finalize schedules and draft agendas for the engagements under Market Renewal and publish them on the website in the next couple of weeks.
- 5) The group will proceed with producing a communications piece (the MRWG Report) in the fall; the IESO will circulate a list of topics and members have until August 2 to provide their feedback. The IESO will present key messages together for discussion at the next meeting.
- 6) With respect to the three proposals by Jason Chee-Aloy of Power Advisory LLC (representing renewable generators):
 - i. The group does not think it is necessary to change the goals and objectives of market renewal to include specific wording provided by Mr. Chee-Aloy;
 - ii. The group is open to forming a sub-committee to consider issues related to the zero emitting sector, but will need to decide on membership, scope, goals etc, before it can be constituted;
 - iii. The group decided there should be a clear process to determine MRWG membership. Once that is in place the MRWG can consider Mr. Chee-Aloy's request to join the MRWG in his capacity as a representative of a consortium of renewable generators.
- 7) To defer discussion of the revised ICA goals, objectives, and strategic outcomes until the next MRWG meeting.

Introduction and Agenda – Jason Grbavac, IESO

The IESO welcomed participants and reviewed the agenda.

Roundtable, Part I – Brennan Louw, IESO

The IESO sought feedback on the idea of revising the group's terms of reference to address the issues of attendance and participation on the MRWG. The IESO raised the idea of the co-chairs taking on responsibility for encouraging adequate participation as well as a review of the process to determine membership. From the IESO's perspective an open nomination process would be preferable and it would be appropriate for the Working Group co-chairs to make the selection in conjunction with the IESO, rather than the IESO alone. The IESO suggested replacing departing members with a new member from a similar stakeholder group to ensure balanced representation. The MRWG's terms of reference currently puts a preference on membership from market participants or potential market participants but there are also associations like AMPCO and APPrO participating in the group highlighting the need to clarify the policy on this issue moving forward.

A number of members expressed general agreement with the IESO's proposed approach.

Members suggested that if a group member is not devoting sufficient time and energy, the co-chairs could reach out to them for discussion and ultimately have the power to remove them from the group in accordance with an established process. Members agreed that the process should include a warning before people are asked to leave the MRWG.

Based on members' comments, the IESO will draft a revised terms of reference for the MRWG and circulate it for review.

The IESO confirmed it is putting together a stakeholder engagement schedule for Market Renewal for the remainder of the year and it should be on the website in the next couple weeks. IESO will do its best to put draft agendas up too.

The IESO announced draft meeting minutes are on the website and asked participants for feedback within 10 days so they can be finalized.

Update on Flexibility – Hok Ng, IESO

The IESO presented an update on enabling system flexibility, including the nature of the flexibility need, the approaches other ISO's have taken to manage flexibility and potential near-term and enduring solutions for the IESO.

A member commented that Hydro Quebec has a potential solution to provide regulation through interties, but the market rules do not allow for this. The participant wondered whether

this could be looked at and the IESO responded that it will take the question to the Market Rules group.

A member asked whether the IESO could use OR to address flexibility which generated a number of follow on questions regarding how it is calculated, how much OR is available, and how much notice is required by different resources in order to provide OR.

In response the IESO responded that it is exploring an option to use 30 minute OR and provided an illustrative example. The IESO emphasized that the need for additional flexibility, would need to be first signalled sufficiently in advance of real-time so that both loads and generators would have the opportunity to meet the need.

One member highlighted that access to data has been an issue and that they are finding the IESO's Real-time Constrained Total Report data is not always updated late on time.

The IESO committed to investigating this issue further.

Roundtable Part II – Barbara Ellard, IESO

The IESO asked members if they had anything they would like to raise.

A number of members had questions on the issues associated with Hydro Quebec (HQ) transactions and potential impacts on the benefits of Market Renewal. The IESO explained that IESO planners review the province's capacity needs and energy needs and any arrangements should not undermine the work the MRWG is doing to improve the market. If anything these arrangements emphasize the importance of having an effective market structure to meet our needs cost effectively. Members did express their concern that there could be an impact on stakeholder confidence which the IESO acknowledged.

Update on Capacity Exports – Warren Hill

The IESO presented an update on capacity imports and exports, including the IESO's proposed timeframe for working with different jurisdictions.

The group discussed a number of aspects of capacity trade. The IESO explained that there are significant differences on how different jurisdictions manage capacity trade and that the IESO started with New York because that is where stakeholders indicated there was the greatest short-term opportunity. In general the IESO's approach is to move forward with enabling capacity trade in a controlled stepwise manner. One member questioned whether Ontario consumers could take advantage of surplus capacity. The IESO responded that that would be out of scope for the project, but in general terms capacity trade has the potential to provide

value to consumers when Ontario has excess capacity by returning some of the revenue from capacity exports to consumers. It also provides an additional revenue opportunity to help ensure existing resources that may not be needed today can remain in operation until Ontario might need that capacity again.

There was some concern noted that progress is too slow and that Ontario should be capitalizing on the opportunity and looking at multiple jurisdictions. The IESO replied that it will look at how much can be accelerated with the resources it has. The IESO will provide an update at the upcoming Capacity Exports stakeholder engagement meeting and will consider a document it can bring forward publicly.

There was a discussion on whether the demand response auction could be expanded to include imports. The IESO explained that the DR auction is not really designed to support capacity imports.

MRWG Report – Brennan Louw, IESO

The IESO led a discussion on the development of a MRWG report. The need for such a document was identified by the group at the June MRWG meeting. The IESO sought feedback on proposed topics and the process for developing the report. MRWG members were asked to provide written feedback on the key messages they would like to see included in the document.

Members were supportive of the approach and provided a number of comments including: the report should clearly identify the problem; include an executive summary; be relatively short; and rely on existing written materials where possible.

The IESO asked MRWG members to provide their written feedback on key messages for the report by August 2.

Strategic Issues Work Plan – Navigant

Navigant reviewed the problem statements the MRWG came up with at the last meeting around Governance; Flexibility/Operability; DER/LDC; and Contracts. (A summary of the statements are on slide 67.)

The group started the session with a discussion on the issue of governance and agreed that any governance arrangement should support ongoing evolution of the market and be sufficiently robust to support change over time.

The group then self-selected into small groups to develop problem statements around the six remaining strategic issues. The following problem statements were identified:

Environment:

1. What is the tool that we believe as a sector could best enable us to meet electricity sector emission objectives (should they be implemented)?
2. How do we ensure whatever tool we're looking at is going to be robust to potential policy changes?
3. What is our plan for identifying a preferred approach? There is a strong desire from renewables and zero emitting resources to have a plan in place to provide certainty on when and how we will address questions 2 and 3 above.

Energy Efficiency/Conservation

1. How do we identify opportunities for conservation and energy efficiency?
2. How do we work with LDCs towards effective participation and valuation of energy efficiency?
3. How will different types of energy efficiency participate under Market Renewal?
4. How will we ensure that evaluation, measurement, and verification for EE is consistent with obligations for participation in the new market design?

Demand Response

1. How do we determine if market rules pertaining to DR need to be changed to enable effective participation?
2. How do we remove unnecessary barriers to DR participation in ancillary services markets?
3. How do we monitor whether DR is able to fully participate under the new market design?

Storage and Emerging Technologies

1. How do we ensure that emerging technologies can capture the value of the services they can provide?
2. How do we continue to adapt the market to cost effectively accommodate emerging technologies?

Gas and Electric

1. How do we determine what it means to align gas services with Market Renewal?
2. How do we plan for resources with firm gas agreements coming off contract and participating in the market?
3. How will we monitor if gas-electric coordination is causing system reliability issues?

Planning

1. How do we align Market Renewal with the LTEP and regional planning processes?
2. How do we assess opportunities to align Market Renewal with other planning processes like transmission and distribution planning?
3. How do we ensure that a resource that can offer multiple services can capture the benefits of those services under the new market design?

Presentation by Jason Chee-Aloy, Power Advisory

Mr. Chee-Aloy made a presentation to the group with three specific requests:

1. Creation of a MRWG sub-committee to consider issues related to low carbon-emitting resources.
2. Revising the existing mission and principles for Market Renewal.
3. Mr. Chee-Aloy to join the MRWG as representative of a consortium of low carbon-emitting resources.

While reviewing proposed changes to the mission and principles, working group members felt that the suggested changes were already adequately captured under the broader language in the existing mission and principles and that the group was uncomfortable calling out specific objects for the IESO (as set out in the Electricity Act) while ignoring others. There was a lot of time, debate and care –with the MRWG and stakeholders –devoted to discussing the objectives/principles which should be respected. There was also a shared sense that the group needs to continue to move forward or it will be very difficult to get things done.

The Working Group felt that a sub-committee could provide useful information and insights into the approaches that could allow renewables and low-emissions assets to effectively participate in the market without having to rely on contracts. As well, the subcommittee could identify broader conversations that need to take place across government and not just at the IESO. There was also commentary on the complexity of the issues surrounding non-emitting resources and low marginal cost systems and acknowledgement of the fact that while other jurisdictions were exploring these issues, there was no clear and agreed upon path forward. The group discussed how a sub-committee's mandate should be set and by whom: the sub-committee itself, or the MRWG. It was agreed that the mandate should come from the MRWG to ensure alignment between the MRWG and the sub-committee.

The group agreed that sub-committees could include members from outside of the MRWG.

At the end of this discussion, the group decided the following:

- 1) The mission statement and principles should not be amended to include language around aligning market renewal with climate change policies and adding principles around clean energy, reliability, and flexibility.
- 2) The group deferred a decision on the request that Mr. Chee-Aloy become a member of the MRWG. The decision will be made after the MRWG reviews its terms of reference and refines the rules/policies around membership on the MRWG.
- 3) The group voted in favour of creating a sub-committee, but agreed that the MRWG needs time to define the scope, goal, timing, and membership.

In August, the MRWG will talk about the revised terms of reference for the MRWG and the scope of the proposed subcommittee.

ICA Update – Steve Nusbaum, IESO

The IESO presented the revised goal and objectives for the ICA. After a brief discussion, due to the agenda item being taken up later than expected, the group agreed to postpone this discussion until the subsequent MRWG meeting.

Next meeting: August 14 + ½ day on Aug. 15.