

Memorandum

To: Stakeholder Advisory Committee

From: JoAnne Butler, Market and Resource Development

Date: October 13, 2016

Subject: IESO Business Update – Market Renewal

Through the Market Renewal Engagement, the IESO is working with stakeholders on the development of a plan for renewing Ontario's electricity market design. This 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 objective of the Market Renewal engagement is to achieve material efficiencies in the near and longer term with minimal disruption to market participants.

The proposed Market Renewal project consists of a suite of market design changes within three streams. The Energy Stream will focus on initiatives that will support the more efficient and transparent scheduling of energy to meet real-time demand. Under the Capacity Stream, the IESO will investigate market mechanisms to procure resources to meet long-term demand at lowest cost and to facilitate efficient capacity trade with neighbouring jurisdictions. The Operability Stream will focus on opportunities to incent greater flexibility to support the continued reliable and cost-effective integration renewable resources.

The first step in the Market Renewal project is the development of a Benefits Case to lay the foundation and build support for implementation and sequencing of market redesign initiatives. The IESO has retained the expertise of consultants with Brattle and Utilicast to prepare a Benefits Case which will consider the range of potential benefits over time and document primary drivers of benefits along with cost estimates (including internal IESO costs and applicable experience from other jurisdictions).

Stakeholder input is an integral part of the Market Renewal project and will be conducted in two forums. The Market Renewal Working Group (MRWG) is a dedicated, representative stakeholder group tasked with providing expertise and advice to support the development and

implementation of the project. In this first stage, the MRWG has helped to identify key challenges affecting Ontario's market design and discussed what features may be needed to support electricity markets in the future. This input will be used to help inform the Benefits Case. The IESO will also continue to engage with the broader stakeholder community as part of the Market Renewal SE at key intervals to seek feedback on draft proposals.

Next Steps

The MRWG will continue to meet on a regular basis as the primary vehicle for this initiative. The IESO expects to reconvene the broader stakeholder group to discuss some of the preliminary results of the Benefits Case later this year. The IESO is targeting Q1 2017 for development of a final Benefits Case and work plan.