

Memorandum

To: Stakeholder Advisory Committee

From: Lia Kotic
Director, Financial Planning and Analysis

Date: January 24, 2017

Subject: IESO Business Update – Revised 2017 – 2019 Business Plan

Introduction:

In early December 2016, the Minister of Energy requested that the IESO resubmit its 2017-2019 Business Plan. While there was satisfaction with the overall strategic direction and recognition of the IESO's commitment to managing costs and resources, it was requested that the IESO ensure the resubmitted Business Plan include sufficient resourcing for the Market Renewal project.

Market Renewal is a multi-year initiative which includes evolving the wholesale energy market and introducing capacity auctions to competitively and efficiently procure resources, while continuing to meet emerging operability challenges. The IESO has developed a revised Business Plan, including impacts of Market Renewal over the planning period.

Background and status:

In 2016, the IESO worked with stakeholders to lay the foundation for evolving the IESO markets. The IESO has engaged Brattle Group to undertake a benefits case that provides high-level assessment of the benefits and the costs for Market Renewal. The IESO is currently stakeholdering the early findings underpinning the Benefits Case and, in parallel, is developing a more detailed project plan. The Market Renewal project will require significant resources, both financially and through additional headcount to successfully deliver this important project while maintaining the ability to deliver our core business mandate.

Early findings in the Benefits Case show potential for cost savings that are expected to be realized by both consumers and suppliers. While the initial findings are expected to evolve as the IESO works with stakeholders in Q1 2017 to finalize the analysis, the numbers demonstrate that the range of reasonably expected benefits far outweighs the likely costs of the project.

Cost savings are achieved through the better utilization of existing assets, greater competition among resources, a reduced need to build new resources, and a more flexible procurement process that will better reflect system needs. The exact timing and magnitude of cost savings will largely depend on the timing of Market Renewal initiatives.

The IESO will continue its work with stakeholders to develop high level designs for the various elements of the project, as well as honing in on a more detailed project plan for the overall program.

Highlights of the revised 2017 – 2019 Business Plan include:

The proposed 2017 budget includes the IESO's core and strategic activities, including Market Renewal, but no allowance has been made for other policy initiatives.

For 2017, the IESO is proposing an increase in its usage fees to reflect the increased resources related to Market Renewal. The proposed usage fees, while slightly higher than prior year, remain at a level below IESO's combined predecessor fees.

The IESO anticipates an increase in temporary resources over the planning period to support Market Renewal, with the objective that at the conclusion of the project, there will not be a significant impact on the staffing level of the underlying business.

The IESO is presenting its revised Business Plan to its Board of Directors for approval on January 30, 2017, and expects to file the same with the Minister of Energy on February 1st, 2017, as requested.