

Memorandum

To: Stakeholder Advisory Committee

From: Terry Young, Vice President, Conservation & Corporate Relations

Date: May 3, 2017

Subject: IESO Business Update – IESO Response to Business Plan Priorities received from Members of the Stakeholder Advisory Committee

The IESO relies on the input received from members of the Stakeholder Advisory Committee (SAC) and other stakeholders to ensure that priorities within the sector are considered in the IESO's business planning process. The following is a summary of the priorities received at the February 1, 2017 SAC meeting along with the IESO's response as to how these priorities are being considered in the 2018 to 2020 business planning process. The draft 2018-20 Business Plan will be presented at the August 23 SAC meeting.

For a more detailed description of the input received on this item, refer to the [Meeting Notes](#) of the February 1, 2017 SAC meeting found at www.ieso.ca/sac.

Input from Committee members has been summarized into the following seven themes:

- Conservation
- Education
- Climate Change Action Plan
- Planning
- Reliability
- Market Renewal
- Stakeholder Engagement

On Conservation:

Input from SAC meeting:

- Province-wide programs should continue to be offered.
- The IESO should look for opportunities to ensure more long-term certainty to these offerings.

IESO response: A recent [Directive](#) from the Minister of Energy ensures that IESO will deliver province wide programs where LDCs are not doing so. The IESO will also increase its efforts to turn local programs into province wide programs where needed (i.e. [Business Refrigeration Initiative](#))

On Education:

Input from SAC meeting:

- The IESO has a role to play in providing simple and consistent messaging to the public
- The IESO has done a commendable job of setting up educational sessions for market participants and now needs to expand this work. Because the market is changing, it would be worth looking at new vehicles that engage smaller consumers in the market and not just wholesale participants
- Customer engagement and education are critical. There is an opportunity for IESO to work with LDCs to coordinate customer experience, education and consistent planning

IESO response: The IESO will look for opportunities to expand its communications and engagement as part of the regional planning efforts currently under way. This business plan will not focus on low volume customers but will look to work with other organizations/agencies to support education efforts.

On the Climate Change Action Plan:

Input from SAC meeting:

- Need to address potential confusion among conservation mandate for IESO/ LDCs and new Green Bank
- IESO should play a key role along with Green Bank to integrate delivery of DSM and CDM with gas and electric

IESO response: The IESO will continue to work with Ministry of Environment and Climate Change (MOECC) to assist in building and launching a new web site, providing customer relationship management, and supporting the design and development of programs.

On Planning:

Input from SAC meeting:

- Centralized planning in an increasingly distributed world creates a challenge for the IESO. Impacts of distributed energy resources (DERs) should be followed and coordinated with LDCs

- IESO needs to monitor emerging technologies and the changing impacts these will have on the system

IESO response: The IESO will continue to be an active participant in North America forums that are monitoring and assessing DERs and emerging technologies. These groups, including the NERC Essential Reliability Services Task Force, and its successors the Essential Reliability Services Working Group and the DER Task Force groups, examine the need for essential reliability services (control of voltage, frequency, ramp) as the resource mix transforms in North America, and consider the potential reliability risks and mitigation approaches for increased levels of DERs on the Bulk Power System.

The IESO led the development of the “[Emerging Technologies Report](#)” recently released by the ISO-RTO Council. The report identified key priorities to continuously ensure the reliability and efficiency of the Bulk Electric System as the penetration of emerging technologies increases.

In addition, the IESO has established a Grid-LDC Interoperability Standing Committee as a forum for its members to be informed and engaged on matters relating to the coordination of IESO and LDC-controlled grid resources on an on-going basis in order to enhance the reliability and efficiency of Ontario’s electricity grid.

From a regional planning perspective, DERs are considered in the demand forecast (i.e. existing and contracted DERs) as well as in options development (i.e. as an alternative to transmission and distribution solutions). In partnership with a number of LDCs, the IESO is engaging in various pilots and studies to better understand the costs and feasibility of developing DERs in a local area. Several Local Advisory Committees across the province continue to explore the role that DERs can play in their community’s energy future.

As the IESO obtains more experience with DERS, it will consider their value in managing demand growth as well as possible solution options.

On Reliability:

Input from SAC meeting: Reliability should remain a priority with a continued focus on cyber-security investments, succession planning and operations training.

IESO Response: Reliability remains a top priority for the IESO including:

- *Reliably direct IESO-controlled grid operations and effectively/efficiently manage IESO-administered markets*
- *Lead Ontario’s electrical sector emergency preparedness*

The IESO’s Market & System Operations unit actively prepares for succession through its hiring practices, and through extensive training and development activities. This occurs for all staff, with a particular focus on our Control Room Operators. This thorough preparation is instrumental in allowing M&SO to seamlessly transition from departing staff.

The IESO recognizes the importance of a robust cyber security program and has developed both a strategy and roadmap to guide our future activities. The roadmap contains a number of specific initiatives that are either currently underway or are scheduled for future years.

On Market Renewal:

Input from SAC meeting:

- Governance will become increasingly important as the market renewal initiative rolls out. Currently there is little to no recourse for stakeholders when changes or decisions have a negative impact on them.
- Principles need to be stakeholdered and included in the market renewal plan.
- Impact and rollout of Market Renewal should be understood; implementation plan should be clear
- There must be common understanding of what the real benefits are for the customer. This must be simply and clearly communicated, so a strong communications strategy must be developed within the project. Need to draft and consult on the principles for market renewal
- Use success of DR Auction as model for Capacity Market
- Keep focus on price discovery, price fidelity, open access and minimizing out-of-market transactions
- IESO has a role to play in helping the government understand that the market loses credibility when unilateral decisions are made such as the Hydro-Québec deal. The more the government operates unilaterally the less confidence there will be in the market. The Ontario-Quebec deal, and other out-of-market solutions like it, undermines investor confidence in the marketplace. Putting blocks and limits around these would be helpful.

IESO response: With the Market Renewal Benefits Case now finalized along with the principles and objectives, the transition to the design phase has started. The IESO will continue to communicate the progress, barriers and opportunities with respect to ongoing design.

Working with stakeholders, the IESO remains committed to putting in place a framework designed to support better coordination, integration and issue resolution. This framework addresses the need for a variety of forums to enable participation at the appropriate level on all important issues.

The IESO appreciates that governance is a concern for stakeholders and will continue to share those concerns with government.

On Stakeholder Engagement:

Input from SAC meeting:

- The stakeholder engagement process needs attention around managing expectations
- Stakeholder engagement has been good, but it is a continuous improvement process with increasing openness and transparency.
- More transparency is needed earlier in engagement initiatives

IESO response: The IESO agrees that continuous improvement should be, and is, an important component of the IESO stakeholder engagement program. The IESO will continue to seek input from SAC on engagement in general and specifically on initiatives that are being introduced. The IESO also agrees that it is important to articulate expectations and scope of input in our stakeholder initiatives. The annual survey will continue to assess performance in these areas.