

IESO Stakeholder Advisory Committee
Meeting Notes
August 23, 2017
St. Andrew's Club & Conference Centre, Toronto

Advisory Committee Members:

Mr. Brian Bentz, Chair (representing Distributors and Transmitters)
Mr. Steve Baker (representing Related Businesses/Services)
Ms. Darlene Bradley (representing Distributors and Transmitters)
Mr. David Butters (representing Generators)
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)
Mr. Paul Norris (representing Generators)
Mr. Mark Schembri (representing Consumers)
Mr. John Sherin (representing Ontario Communities)
Mr. Todd Wilcox (representing Distributors and Transmitters)
Mr. Terry Young (representing IESO)

Absent:

Mr. John Beaucage (representing Ontario Communities)
Mr. Jack Burkom (representing Related Businesses/Services)
Mr. Mark Passi (representing Consumers)
Mr. James Scongack (representing Generators)

IESO Board Members:

Mr. Timothy O'Neill (Chair)
Mr. Peter Gregg
Ms. Cynthia Chaplin
Mr. Murray Elston
Ms. Susanna Han
Ms. Margaret Kelch
Mr. Glenn Rainbird
Ms. Ersilia Serafini
Ms. Deborah Whale

Presenters:

Mr. Michael Cleland
Mr. Rob Coulbeck
Mr. Paul Dottori
Ms. Barbara Ellard
Mr. Nik Schruder

Agenda Item No. 1: Welcome

Mr. Brian Bentz

Mr. Bentz welcomed participants and introduced the IESO Board in attendance. He introduced the IESO's new chief executive officer, Mr. Peter Gregg.

Mr. Gregg said that since joining the IESO two months ago, he has enjoyed meeting staff and working with stakeholders. He has received a lot of positive feedback about the IESO's engagement strategy, and he hopes to maintain and reinforce its efforts. An area of particular interest is building strong relationships with local distribution companies (LDCs). He added that normally this meeting would include a review of the IESO's business plan, but as we await the Ontario government's Long-Term Energy Plan (LTEP), the IESO decided to delay its business plan so that it could respond to the directives in LTEP. The LTEP is expected in the fall. When completed, the draft business plan will be brought to SAC for review.

Agenda Item No. 2: IESO Business Update

Mr. Terry Young

Conservation

Mr. Young said the verified results from 2016, combined with the results from 2015, show that LDCs have met 38% of the 7-terawatt-hour target under the Conservation First Framework. LDCs have achieved these savings through innovative local programs and pilots. Through the Green Ontario Fund, the IESO will soon launch new programs, including the Home Assistance Program, which will enable advisors to speak with residents and others about reducing their carbon footprint.

Smart Metering Entity

The Smart Metering Entity (SME) appointed members of Data Strategy Advisory Council (DSAC) to provide guidance in implementing a third-party access program. As of now this effort is limited to DSAC, but SME will launch a broader stakeholder engagement in October to gather feedback from all those interested in this project.

2017–2019 Business Plan

On August 4, the Ontario Energy Board (OEB) issued its final issues list regarding the IESO's application to the OEB seeking approval for the IESO's 2017 expenditures, revenue requirement, and fees. OEB staff interrogatories were received on August 17, and the IESO will reply by September 7. A settlement conference is scheduled for September 15, but this is subject to change.

Long-Term Energy Plan

The LTEP is expected to be released in the fall; subsequently, the IESO will engage SAC to develop implementation plans associated with its directives.

IESO Community Engagement—Regional Forums

The IESO held a stakeholder summit earlier in the summer and plans to extend this engagement via five regional forums, to be held in Thunder Bay, Sudbury, London, Ottawa, and Vaughan. The idea is to broaden the dialogue on electricity issues by talking to communities about their ability to address the changes they are seeing. Mr. Young encouraged members of SAC and those in the audience to attend one of these forums.

Stakeholder and Community Engagement Update

The Technical Panel will publish a call for nominations for candidates to fill two roles: representatives of a market-participant industrial load and a market-participant generator.

Solar Eclipse

Mr. Leonard Kula, Vice-President, Market and System Operations, IESO, described actions the IESO took to prepare for the partial solar eclipse on August 21 and reviewed the system's performance. Overall, the IESO and system operators across the continent were able to handle the effects of the solar eclipse very well, which shows how far they have come in their ability to integrate renewable resources into the supply mix. Although the IESO has very little experience with solar eclipses, it does have considerable expertise with variable generation, such as wind transience, which helped in its planning. An eclipse is a unique event in that the entire continent experiences the same conditions at the same time, so extensive collaboration with U.S. system operators was necessary. Key components of the IESO's preparation were deferring or cancelling planned transmission outages, scheduling increased frequency regulation, increasing margins at the interties, and bringing more flexible resources online. As a dry run for the total solar eclipse in 2024, this experience offered valuable lessons, though, of course, things will be different in seven years given the increasing penetration of solar power in the energy market.

Comments

Referring to his report on conservation, Ms. Girvan asked Mr. Young about the budget for these programs. He said LDCs understand that there is room in the budget due to some carry-over from the previous conservation framework, and he said this is reflected in the full report.

Mr. Wilcox asked whether any consideration has been given to having users of smart meter data cover the costs of SME, instead of all customers paying for it.

Doug Thomas, IESO said DSAC is in its early stages, gauging the level of interest among different users, and in the next year it will look at various funding models.

Mr. Norris requested that suppliers be invited to the regional electricity forums planned for the coming year. Also, because these meetings often include an update on energy policy, it would be good to have Ministry of Energy officials present. Mr. Young said the Ministry of Energy has been invited to attend the regional meetings.

Mr. Bentz asked whether the MDM/R will have the ability to do net energy metering to help manage the direction of power flow. Mr. Thomas replied that the infrastructure is capable of doing net energy flow, and the IESO is talking with the Ministry of Energy about enabling that functionality.

Mr. Bentz asked about the relationship between the IESO and the Ministry of the Environment and Climate Change (MOECC) regarding Green Ontario initiatives and how the IESO sees that relationship evolving. He also asked what role the IESO sees for LDCs in delivering conservation programs, especially province-wide programs and those targeting low-income consumers.

Mr. Young said the IESO has received a directive from MOECC that enables it to provide more services than it had previously, including low-carbon technology programs for residents and businesses. The IESO's increased involvement will maximize infrastructure that is already in place, but more discussions with LDCs will have to take place as this effort proceeds. In answer to the second question, Mr. Young said the Ministry of Energy's directive spoke to the need to deliver programs on an equal-access basis across Ontario. It is within the purview of LDCs to deliver all 12 conservation programs if they so choose, and if not, the IESO will ensure that anyone in the province will have access to them. Results of the Home Assistance Program delivery from 2015–2017 indicate that some LDCs have had declining service levels for the last three years, so the province gave the IESO the authority to ensure a consistent level of service.

Mr. Bentz underscored the importance of collaboration between the IESO and LDCs to ensure all Ontarians have access to these programs. The results of conservation efforts show that LDCs have been, and should continue to be, drivers of that progress.

Saying it was great to hear about cooperation between the Ministry of Energy and MOECC, Mr. Norris asked whether the Ministry of Transportation was also participating in discussions about electrification. Mr. Young said Transportation was not present for the discussions the IESO was having, but there is interaction between those ministries on that topic.

Ms. Ingram asked whether the soon-to-be-ended peaksaver program is considered part of the conservation programs run by LDCs. Mr. Young said that under this framework demand is not part of the incentives being offered, so it would be considered as separate.

A member of the public said the OEB's proposed framework for cyber security at the distribution level and for local gas utilities might have implications for the IESO, which

already operates forums on this topic. Distributors have commented that this effort should build on the IESO's leadership. Many stakeholders believe that the OEB's proposal for a brand new oversight regime needs more discussion and fleshing out. Also, the North American Electric Reliability Corporation (NERC) was in Ottawa recently and adopted new reliability standards in the cyber security realm that are applicable at the bulk level but could have trickle-down effects on the supply chain. The participant offered that the IESO cyber security forum would be a great opportunity to facilitate a dialogue with stakeholders on what this new standard means and provide guidance to ensure a more robust framework for cyber security in this province.

Agenda Item No. 3: Market Renewal

Ms. Barbara Ellard, Mr. Paul Dottori, and Mr. Rob Coulbeck

Ms. Ellard introduced her two fellow co-chairs on the Market Renewal Working Group (MRWG): Mr. Paul Dottori, Vice President, Environment, Engineering and Procurement, Tembec Inc., and Mr. Rob Coulbeck, Vice President, Energy Management, Goreway Station Partnership.

Mr. Dottori said being a member of the MRWG has shown him the complex workings of the IESO's mandate, rules, and functions and has given him an appreciation of its collaborative approach. The MRWG is a motivated and interested group with a great deal of knowledge. The working group has agreed to produce a joint report in the fall that will explain what market renewal (MR) is and outline a clear path for the future. The plan is to deliver high-level design documents by mid-2018 for the Single Schedule Market (SSM) and capacity auction. In addition, the MRWG would like to improve flexibility within the market and to work on fostering capacity exports in the short term.

Highlighting some of the 10 strategic issues identified by the MRWG, Mr. Coulbeck said the focus is on making sure all the different streams affected by MR, such as gas and electric, work together cohesively. This applies as well to the integration of thousands of existing contracts that are impacted by MR. The working group also wants to ensure MR does not restrict the ability of any participant to provide flexibility to the marketplace.

Mr. Dottori said many industrial customers have a depth of experience with demand response (DR) and conservation that can be called upon in the MR process. He said that they understand load shifting and conservation. New market participants in the areas of DR and storage can provide these kinds of solutions with products whose impact may not be fully understood today. Crediting Colin Anderson, President of AMPCO, Mr. Dottori said it all comes down to the three C's: carbon, competitiveness, and capital attraction, which apply to everyone, from generators to new entrants to loads and added it is about finding common ground on what the recommendations for market renewal should be.

Ms. Ellard said the MRWG understands that there are linkages between the 10 strategic issues and that in developing a design we must be cognizant of those issues. The working group is trying to hone in on the broad issues and understand the particular linkages for MR and getting input from SAC is key to helping that effort move forward. She invited SAC members to share their thoughts and provide any suggestions about quick wins, additional issues, or timing considerations.

Comments

Ms. Giannetta congratulated the MRWG on its progress thus far, noting that the strategic issues have evolved since the last SAC meeting. However, she said the environmental strategy does not seem to have evolved as well as the others, as it still does not reflect the concerns of renewable generators. Instead of it being grouped under a governmental issue, the strategy should consider the market impact of the environment.

Ms. Ellard said this is good advice as the MRWG is in the process of developing the scope for the environmental subcommittee.

Mr. Norris asked why the MRWG's plans call for some of the 10 strategic issues to have their own subcommittee while others will be put on the Market Development Roadmap.

Ms. Ellard said the MRWG is trying to separate the relevant components for MR from broader issues for the sector and the IESO that can be dealt with later.

Mr. Norris asked whether, by the next SAC meeting, the MRWG would be able to indicate which topics will be addressed in MR and which will be put on the roadmap.

Ms. Ellard said she may not be able to deliver that but could certainly provide an update on the formation of subcommittees and the Market Development Roadmap.

Mr. Baker asked how the MRWG reconciles market renewal, which to him signifies a reliance on market mechanisms, transparency, and competitiveness, with out-of-market transactions, such as Ontario's power purchases from Hydro-Québec. Referring to slide 11 (Future Electricity Sector Emissions), he said that cap and trade is supposed to be a market mechanism that puts a price on carbon emissions and lets the market work, so he is concerned about the apparent layering on of regulations impairing its effectiveness.

Ms. Ellard said if cap and trade is deemed to be insufficient to drive investment, she would expect discussion within the subcommittee about what might have to happen to further drive incentives and government policy.

Mr. Coulbeck said cap and trade and a potential Hydro-Québec deal are perfect examples of how governance affects market renewal. The goal is to design a market system that is resilient to out of market actions could potentially even integrate these actions into the market. The aim of cap and trade is for the market to displace resources based on their carbon footprint; this has not happened yet, so the question is whether it is because the price is not high enough or whether there are other factors.

Mr. Wilcox suggested adding customers and communications as a strategic issue, since there has been a serious erosion of customer confidence, and MR could be an opportunity to address this.

Ms. Ellard agreed that communications is a key component of MR and ties into the MRWG's top priority of issuing a report to communicate to a broader audience why moving to a renewed market framework with greater transparency, efficiency, and innovation is important for participants and customers. Appropriate communications is foundational to everything the IESO does.

Mr. Wilcox said it should be stressed that the goal of MR is making a better market for consumers. He asked whether LTEP is an input to MR or vice versa, to which Ms. Ellard replied that she thought it was both.

As the MRWG does its work, Mr. Butters said it should keep in mind the importance of building consumer and supplier confidence in a market that is fair, equitable, open, and competitive as it grapples with overarching governance issues such as possible Ontario-Québec deals.

Mr. Schembri said he sees very little opportunity coming from the MR initiative to support the Class B (retail) sector, which is experiencing the pressure of increased electricity costs. It appears the expanded Class A program will result in more cost recovery, and the reduction for the residential rate class will result in a reduction of the overall rate pool. Class B consumers hoped MR would stop or slow the ever-increasing global adjustment costs, but a lack of engagement with the Class B sector continues to be a problem. Targeted conservation programs could improve the engagement of Class B consumers and should be considered for this sector.

Ms. Ellard replied that the DR auction is a tool for engaging a broader portion of the demand side in the market. She said an interim strategy is to transition DR into a more dynamic marketplace. A priority of the auction is to effectively transition DR into the capacity auction and give it the ability to compete with new and existing resources. The hope is that improved pricing and market mechanisms will create a platform for broader opportunities.

Mr. Dottori said Class B consumers can feel comforted that large industrials are on the MRWG reminding everyone that even they as industrials are relying on Class B vendors

and they need them to be competitive as well. . Market Renewal is about reducing waste and reducing costs. A report from the consultants, the Brattle Group, shows there is opportunity for significant savings, and those savings will go to all consumers.

Mr. Hogan said he is encouraged that one of the MRWG's strategic issues is distributed energy resources (DER) and LDC integration. In a previous meeting, a presentation was given that included a vision of LDCs enabling, supporting, and maybe even investing in DER. He encouraged collaboration to continue on leveraging the roles LDCs can play in this effort.

Looking at slide 5 (MRWG: 2017/18 Priorities), Mr. Leonard noted that the third priority refers to short-term flexibility needs. He asked whether the IESO is proposing to increase the amount of its operating reserves, what the scope of the flexibility issue is, and whether the IESO has crafted medium- and long-term solutions regarding flexibility.

Ms. Ellard said the IESO rolled out a proposed solution to incent flexibility through a 30-minute operating reserve and is awaiting stakeholder feedback. An analysis of the potential impacts and outcomes of this proposal is already under way. For now, the decision about a more permanent flexibility mechanism is dependent upon design decisions in the other work streams, particularly in SSM and day-ahead market (DAM) that will hopefully help with flexibility. Other jurisdictions are struggling with this issue, and the IESO's consultants are tracking their efforts. California appears to be re-examining the flexibility product that they just introduced. In the short-term, the IESO is looking to address flexibility through its operating reserve and that it is premature to develop a permanent flexibility product while other changes are taking place. The IESO is cognizant of stakeholder fatigue and therefore does not want to go through the difficult process of designing a product with stakeholders and then realizing it is not the right product or design because of design decisions within the other workstreams.

Mr. Bentz said converting strategy to executable plans is a tremendous challenge. In the case of the MRWG's strategic issues, it will be difficult to translate those broad goals into actionable plans, especially when the output has been defined to a certain extent. He asked how the connections will be made between the strategic issues and the design document.

Ms. Ellard said this is a big undertaking that will yield a multitude of solutions. The challenge is to design something that allows the many different parts to fit together cohesively. If something is too big to handle, it will go on the Market Development Roadmap. Throughout, the focus has to be on defining the MR initiative's scope and identifying the particular linkages between the various strategic issues and the MRP designs. For example, MRP is not going to solve DER-LDC integration, for instance, but it must be mindful of it as we make design decisions.

Mr. Leonard said Ms. Ellard's response citing stakeholder fatigue worried him. For issues like flexibility, he encouraged the IESO to find interested parties who will be eager to participate, instead of stopping the planning process while other work proceeds.

Ms. Ellard clarified that stakeholder fatigue is not the main reason to not undertake this work. The main driver is that there will be design decisions taken in other workstreams, such as SSM and DAM, could help with incenting flexibility. Only after those decisions have been made, will it be prudent for the IESO to examine the need and type of a future flexibility product.

Mr. Wilcox said that as communities are looking at ways to improve their resiliency and doing asset management planning, this would be a good time for the IESO to connect with municipal planning, in anticipation of changes in physical infrastructure. He asked how a low-carbon economy figures into the prioritization of the MRWG's strategic issues.

Ms. Ellard said remaining relevant is an important part of MR. Getting foundational pieces of the market right—such as fixing inefficiencies in pricing and commitments and opening up the market to new participants on the demand side are key considerations. But MRP needs to also be aware of other changes and be flexible to continue to evolve to react to those changes.

Mr. Bentz read two questions that were received via email. The first question expressed concern that the LTEP will influence a large portion of the work currently being done by the MRWG, so more clarity is needed on how the two initiatives will interact. The second question asked about environmental attributes and whether, if renewable attributes belong to the province through contracts with the IESO, environmental attributes could be released to renewable energy generators, or homeowners, or as additional incentive and revenue, or whether this is a value to the province.

In response to the first question, Ms. Ellard said the IESO is working closely with the Ontario government to ensure it understands what MR will look like and is hoping for cohesiveness with LTEP. JoAnne Butler, IESO, said the IESO has been in discussions with government officials about LTEP and has provided its input as requested.

In response to the second question, Ms. Ellard said contracts indeed collect environmental attributes on behalf of consumers, but the broader regulatory framework is very complex. In the past, the IESO sought but was not granted certification of the environmental attributes it collects under the contracts. In a post-contract future, the dynamics around certification and monetization of environmental attributes changes significantly..

Mr. Gregg said he was pleased with the level of collaboration in the discussion so far. He said getting MR right will involve the following:

- Being clear on the scope and charter of whatever is agreed to
- Conducting a thorough risk analysis, including political risks
- Having sound project management methodology
- Having a strong commitment to execution

Eventually, the benefits of MR will have to be demonstrated. MR is currently being discussed in public by politicians as an important initiative, and it needs to stay there via tangible results. Regarding the potential for government actions that might affect MR, through so-called bilaterals, Mr. Gregg said stakeholders can be confident that as the IESO is giving advice to government officials, the importance of MR is at the front of its mind and that the IESO has done well getting the MR concept on the table. We have the luxury of time, because of our surplus situation, to get it right and are hopeful that we will see what we want to see in an LTEP document.

Agenda Item No. 4: Conservation Framework: Mid-Term Review
Mr. Nik Schruder

Mr. Schruder said his objective was to lead SAC members in a discussion of three topics regarding the 2015–2020 Conservation Framework:

- Governance and operations
- Planning integration
- Climate change

He reviewed slides 4 and 5 summarizing the feedback the IESO received from the Mid-Term Review Advisory Group on governance and operations and opened the floor to questions.

Comments

Ms. Girvan said she would like to better understand the meaning of the statement “LDCs want more flexibility in program administration and authority over program rules” on slide 4. She commented that she is an advocate for competition and allowing other service providers in if they can deliver these programs more cost-effectively.

In response, Mr. Schruder said this was mostly a discussion about how the rules of the programs get approved by the supervising body.

Ms. Girvan noted that the business sector is well represented on the advisory council, and she asked what the IESO is doing to gather input from residential customers about conservation programs.

Mr. Schruder said there was a lot of discussion about getting better input from customers before making decisions about the programs.

Mr. Schembri said there may be an opportunity to assess the cost of conservation per megawatt for each sector and quantify the relative merits of residential retail initiatives. Ms. Girvan agreed this would be a worthwhile undertaking.

Mr. Wilcox, speaking from his experience working for North Bay Hydro, said his organization has a history of delivering conservation programs that hit the targets in a cost-effective manner. Two years ago, it outsourced the management of these programs, and the work was superficial, with little customer support to address any problems. In adopting a competitive model he said you have to be careful you don't throw out what works well; competition is not necessarily a universal approach for a high-quality experience for customers.

Mr. Schruder reviewed slides 6 to 8 on planning integration and invited questions.

Comments

Mr. Bentz asked for insight into the thinking around moving from energy and demand objectives in the previous framework to energy-only objectives, and whether the objectives should now be revised to include demand.

Mr. Schruder said his understanding was that there were challenges chasing energy and demand targets at the same time. He acknowledged that there is the potential for lost demand savings in the current framework.

Mr. Bentz said that whether the best solution is DER, conservation and demand management (CDM), or DR, the utilities should be indifferent to which approach is used and have no economical incentive to put copper in the ground and aluminum in the air rather than adopt behind-the-meter solutions. This is a rate design and regional planning issue that has broader implications.

Looking at slide 7, Mr. Butters asked what was meant by the statement "limited coordination between gas and electricity planning could lead to integration issues and missed opportunities."

Mr. Schruder said this referred to the idea that having separate subcommittees for gas and electricity planning means opportunities for integration are not being considered on a systems operation level.

Mr. Baker said LDCs have done a lot of work to integrate their products with the IESO to meet demand.

Mr. Young clarified that this is input that was received from the Mid-Term Review Advisory Group, which is made up of 12 people: five representing LDCs, five from large customers, and two consultants.

Mr. Schembri recalled a discussion of three incentive classes: critical peak, on peak, and off peak, which could generate savings for critical and on-peak periods by establishing a base incentive level for kilowatt-hours and escalating from there. Regarding natural gas utilities, it was pointed out that a variety of ministries have different incentive programs, and it is time for them to find agreement on how the revenues from greenhouse gas (GHG) auctions will be disbursed.

Mr. Hogan asked Mr. Schembri whether he was proposing the province advance its energy system thinking and planning, to which Mr. Schembri said the alignment of conservation incentives could involve that, but this was not the specific intent of the proposal.

Mr. Schruder reviewed slides 9 to 11 on the Mid-Term Review Advisory Group's input on the topic of climate change.

Comments

Mr. Bentz stressed the need for comprehensive, coordinated government conservation policy. He said programs are coming that may mean conservation targets and budgets will have to be revised. As well, an influx of programmable thermostats and solar panels could drive DR to such an extent that the baseline used in the Achievable Potential Study would have to be reset.

Mr. Baker, citing text from slide 10 that reads "Electrification could increase potential for CDM (kWh) reductions towards LDC Conservation First Framework (CFF) targets," said he did not understand how that reconciles with concerns expressed about electrification driving up the number of peak days.

Mr. Schruder said the discussion of electrification on the grid was about seizing opportunities to improve the efficiency of these installations and putting in place additional conservation measures to facilitate those decisions.

Mr. Baker said it is important not to stack policies on top of the cap-and-trade market, which has been in place for only six months and needs time to achieve its goals. Too many added policies will make this market impossible to understand.

Ms. Girvan suggested the IESO hold a mini stakeholder forum to allow other interested groups to provide input, raise issues, and ask questions.

Mr. Schruder said the IESO held a public webinar on the definition of conservation and has another public webinar planned to discuss collaboration on climate change. Also, it will be holding interviews in September and October with different stakeholders—particularly industrial accelerator participants, LDCs, the OEB, and mid- to large-sized customers—that will feed into the required market research for this review.

Ms. Ingram asked how a critical peak demand reduction target for natural gas would align with a DR auction that is meant to increase residential participation.

Mr. Schruder said the idea is that programs targeting those times when natural gas-fired generation is used would have the greatest impact on reducing GHG. These would work with the DR auction because this is about electrical efficiency and the DR component.

Ms. Ingram said this sounds like the peaksaver program that is being ended in December.

Mr. Schruder said peaksaver is being transitioned into the DR auction, but there are other programs that will help reduce GHG emissions.

Ms. Ingram replied that she would hate to see overlap with the DR auction that is already in place.

Mr. Sherin said he does not see a risk of competing programs because they can be designed to complement each other. Also, he spoke in support of other entities contributing capital to these programs, which in his case is the community housing sector. Community and low-income housing presents a great opportunity to work together to improve energy efficiency for many customers.

Mr. Schruder said the Mid-Term Review Advisory Group has two meetings scheduled in August and September to examine budgets, targets, and cost-effectiveness of the LDC programs. The August meeting will focus on an overview of the first phase of CFF, discussion about challenges with coverage and consistency, and rules that do not allow target exchange between LDCs. The second meeting will review the detailed results from LDCs, discuss alternative approaches for improving the cost-effectiveness of programs, find methods to reduce reliance on customer incentives to meet electrical efficiency goals, and customize stakeholder interview questions and public webinars. On September 7, there will be a public webinar on governance and operations, collaboration, and climate change. He thanked SAC members for their comments.

Agenda Item No. 5: Guest Speaker

Mr. Michael Cleland, Senior Fellow, University of Ottawa Positive Energy Project

Mr. Cleland said he and the team at the Positive Energy project are looking for feedback on whether their diagnostic and proposals make sense regarding what is needed to

improve public confidence in the planning that will underlie the big energy transformation needed to achieve the 2050 very low carbon emission targets. The project has a systemic approach that focuses on public authorities (the whole cycle from policy through planning to regulation) instead of the traditional focus on individual project developers and regulators.

The study focused on six case studies of different energy projects; summaries of these are contained in the report, *A Matter of Trust*, which can be found on the project's website (<https://www.uottawa.ca/positive-energy/>). The research covered a variety of energy projects, and the lesson is that no clear winner emerges in any project that garners community opposition.

This research led in turn to policy analysis embodied in a follow on report entitled *System Under Stress: Energy Decision-Making in Canada and the Need for Informed Reform* (also available on the project website). The analysis identified three principal stress points:

- *The policy-regulatory nexus*: Policy-makers build the team and develop the culture and broad direction but need to stay off the field of play, that is, refrain from interfering directly in the market or in independent regulatory processes. Much work is needed to establish a stable foundation for the regulatory system. A new balance has to be found between objective decisions and democratic accountability.
- *Who decides—the balance between local and higher-level decision authorities*: There is a growing demand by local authorities to have a direct role in shaping big energy decisions that affect both their communities and the broader energy system. There is an urgent need to better define those roles, ensure that local communities have the capacity to be constructive participants and ensure an appropriate balance between local concerns and the broader societal interest.
- *How to decide—engagement, information, and capacity*: Canada's energy decision system needs to go much further in finding ways to engage civil society and citizens in communities (apart from the role of legally constituted local authorities). This need has to be balanced in turn against investor needs for predictability, timeliness and cost management. One critical initiative would be a better energy information system which is relatively weak in Canada given the importance of energy to the country. Governments have been unwilling to invest in that but signs are emerging that the federal government is willing to do so in cooperation with the provinces.

Because energy policy is a system, these stress points interact; for example, meaningful citizen engagement depends on effective policy and planning systems. System thinking is easy to say but much harder to carry off.

Mr. Cleland's group is now working on public confidence in energy transition to continue studying the most fundamental transformation of the energy system since the emergence of the internal combustion engine. Building public confidence in that effort will be fundamental to its success.

Comments

Mr. Bentz thanked Mr. Cleland for his presentation. He said there is a dichotomy between 50,000-foot policy planning and the local decisions made by local councils that do not have much input but could.

Mr. Norris said he enjoyed Mr. Cleland's paper and found it very useful. He said the conversation in the hydro sector often comes down to the economic value of ecological services and what that looks like on the ground. The Positive Energy project can be a conversation starter about energy policy, and this report could be a valuable tool for helping to understand the dynamics of turning policy into regulatory oversight, and global proscriptions into local actions. Finally, he said Mr. Cleland's findings are applicable no matter the size of the project.

Mr. Cleland said it is amazing how consistently applicable these findings are, whether it is a fossil or a non-fossil project, for example. The challenge is getting policy-makers to understand that what local communities care about is not necessarily what the politicians in Queen's Park or Ottawa think.

Ms. Giannetta said she appreciates any academic inquiry into the seeming paradoxes between government policy objectives and their effect on public confidence. In answer to the question, "Have we got it right?" she said they have. This work fills a significant void in thinking about policy impacts. For example, federal regulators in the United States are grappling with how wholesale markets are being affected by policy objectives, but they are not looking at local and regional concerns, except for costs.

Mr. Baker asked for Mr. Cleland's thoughts on how the balance between regulators and policy-makers is going to shift and who will ultimately take accountability.

Mr. Cleland said his group is concerned, given the advice the federal government got from the NEB panel, that the proposals would put more pressure on regulators while the underlying policy issues remain unresolved. He suggested that we have not figured out a way to get to zero, or very low, carbon by 2050 nor to the 2030 target. This disconnect and the contradictions surrounding engagement with Indigenous communities will also fall on regulators. These are problems that are bigger than the NEB and any other regulators. He said the question, then, is what sort of forums can be established to get to those objectives, especially when there don't seem to be cheap and easy solutions.

Mr. Wilcox asked whether the definition of local will evolve to mean individual consumers who are allowed to make their own decisions about whether or not to participate.

Mr. Cleland said the group makes a strong distinction between individuals and legally constituted local authorities, such as municipal authorities and Indigenous governments. The difference is important because the latter have enforceable authority and are democratically accountable. These are the bodies to focus on if the goal is to increase capacity.

Mr. Butters said the dichotomy between public policy and economically efficient outcomes is a critical issue, because if you don't get the outcome right, you get a negative feedback loop from customers, and that reduces confidence in public policy makers. Markets that are fair, efficient, open, and competitive will discourage public policy makers from making bad decisions that ultimately, customers will have to pay for.

Mr. Cleland said that since the 1980s, energy markets have done fairly well mediating energy relationships, and building on that should be a focus. However, it is very easy for governments to put these things off and leave it to future generations to pay, and I'm not sure where that will take us.

Mr. Chuck Farmer, Director of Stakeholder and Public Affairs, IESO, thanked Mr. Cleland for his presentation and added that an important takeaway from this presentation is that no one entity can address these issues by itself, and that collaboration among all the players in the energy sector is essential.

Agenda Item No. 6: Other Business

There was no other business.

Agenda Item No. 7: Adjournment

Mr. Bentz concluded the session, thanked everyone for attending, and said the next SAC is meeting on October 4 will again be held at the St. Andrew's Club, but the conference centre will be under a new name, Vantage Venues.