

**IESO Stakeholder Advisory Committee  
(Former IESO Membership)  
Minutes of Meeting  
March 5, 2015, 9:00 am  
Metro Toronto Convention Centre**

**Advisory Committee Members:**

Mr. Todd Wilcox – Chair (representing Conveyors) (via teleconference)  
Ms. Ersilia Serafini – Vice Chair (representing Electricity Service Providers)  
Mr. Paul Shervill (representing Electricity Service Providers)  
Mr. Paul Ferguson (representing Conveyors)  
Mr. Adam White (representing Consumers)  
Mr. David Butters (representing Generators)  
Mr. Jack Burkom (representing Electricity Service Providers)  
Mr. Richard Horrobin (representing Generators)  
Mr. Steven Hall (representing Consumers)  
Mr. Tony Thoma (representing Consumers)  
Ms. JoAnne Butler (representing IESO)

**Absent:**

Ms. Michelle Chislett (representing Generators)  
Mr. Mark Schembri (representing Consumers)

**Presenters:**

Mr. Bruce Campbell  
Ms. Kimberly Marshall  
Ms. Julia McNally  
Mr. Przemek Tomczak

**IESO Board Members:**

Mr. Jim Hinds, Chair  
Mr. Tim O'Neill, Vice Chair  
Mr. Bruce Campbell  
Ms. Margaret Kelch  
Ms. Cynthia Chaplin  
Ms. Deborah Whale

### **Agenda Item No. 1: Welcome – Ersilia Serafini**

Ms. Serafini opened the meeting and welcomed everyone, saying she was pleased with the large audience turnout. She introduced the members of the IESO Board of Directors and Stakeholder Advisory Committee (SAC) in attendance and participating by telephone.

Ms. Serafini remarked that this is the first opportunity this year for stakeholders to advise the IESO on parameters and metrics that will contribute to their business plan and for SAC members to identify their core priorities.

Ms. Serafini reviewed the agenda and then asked Mr. Campbell to provide the IESO-OPA Merger Update.

### **Agenda Item No. 2: IESO-OPA Merger Update – Bruce Campbell**

Mr. Campbell said it has been a smooth transition in terms of communications, human resources, legalities, and business objectives. Work is continuing toward harmonizing the workforce and finding opportunities to integrate business activities.

The Board has taken direct interest in the effective separation assurance of market operations and procurement functions and controls are in place. Mr. Campbell said there are two potential approaches to continue the conversation with stakeholders around markets and contracts: one is to approach it in the abstract, the other with concrete examples. In the past, these conversations took place separately, but it is now recognized that they should be discussed in the same room, at the same time. He said his inclination is to have these conversations as needs arise.

The 2016–18 business plan will take a strategic view of the future, with themes that address consolidating the merger and managing the role of the IESO in a changing environment.

The strategic framework focuses on three themes: providing public value, building corporate resilience, and respecting and valuing stakeholders. Providing public value will require a clear mandate and the ability to prioritize outcomes. Building corporate resilience will require that staff and organizations have the resources and skills to adapt to change. Listening and responding to stakeholders will require ongoing commitment. Mr. Campbell said he is confident that this strategic triangle will provide a strong and stable foundation for business planning in the years to come.

### **Comments**

Mr. Butters asked Mr. Campbell to elaborate on the framework for effective separation because it is important for stakeholders to know the practical and theoretical aspects. Mr. Butters asked a number of questions: What it will look like? What will the rules be? When they will see it?

Mr. Campbell replied that it is currently just a framework. There is still a need to document how contract management is happening, for example.

Mr. Wilcox asked Mr. Campbell whether flexibility is built into the resilience bucket.

Mr. Campbell replied that resilience embraces flexibility.

Mr. Thoma remarked that the IESO has focused on the wholesale market. He asked if it will also embrace smaller loads and get all local distribution companies (LDCs) involved. Mr. Campbell replied that there are agreements with every LDC across the province that provide the mechanism for addressing such issues.

Mr. Butters complimented Mr. Campbell on the work done so far in bringing the two organizations together.

### **Agenda Item No. 3: Draft IESO Business Plan for 2015 – Kimberly Marshall**

Ms. Marshall said IESO management is calling this an interim plan because it deals only with the year of transition post-merger. The plan has already achieved most of the intended savings from the merger, stemming from elimination of duplicate positions between the two organizations and reduced office space. More savings are to come as further efficiencies are introduced; for example, the new company still has two payroll systems. Management has just begun to identify a single mission for the organization as the two businesses had similar goals but different approaches. The interim business plan integrates many of the pieces within the electricity sector, such as tying short-, medium-, and long-term planning together in one department.

Work will begin shortly on the 2016–18 business plan, which is due to be delivered to the Ministry of Energy on September 1, 2015. That plan will be an opportunity to set the course for the organization by identifying long-term priorities. Planning for the next three years will involve deciding which metrics IESO will use to gauge its performance. Also, the two predecessor organizations used different methods for charging their fees, so management will have to decide which system to implement. Ms. Marshall said that while the executive team is pleased with the progress that has been made since the merger, more work remains.

#### **Comments**

Mr. Ferguson commented that the IESO should think about regional supply plan initiatives to provide education and an overall integrated long-term plan. Ms. Marshall replied that there are many touch points within the range of stakeholder activities. IESO VP Planning, Law and Aboriginal Relations Michael Lyle added that work has been done on finalizing seven plans for medium- and long-term regional planning.

Mr. Horrobin asked what the IESO role is in the revenue and cost curve, what the key risks are for the interim year, and how success will be defined. Ms. Marshall replied that reducing the revenue and cost curve is a prime objective this year. The risk is that it must be accomplished amid the distractions of bringing the groups together. The path of integration is a challenge because people are being tested in ways they have not been in a long time. IESO VP Conservation and Corporate Relations Terry Young added that IESO management will focus this year on SAC priorities that will feed into the 2016–18 business plan. He said the IESO can then be judged on how well it looked at these priorities and whether or not it was able to reduce revenue requirements by \$5 million.

Mr. Thoma expressed concern that small LDCs do not have the resources, capacity, or knowledge to participate in various activities. Mr. Campbell replied that he is concerned about capability, and that coordination is the bigger issue.

Mr. White said the business plan metrics are not obvious and he doesn't see outcomes that benefit customers. He said 11 initiatives are too many, and he recommended that any activity that does not align with meaningful outcomes be stopped. While he appreciates how much work has been done, there is an opportunity to step back and think about the needs of Ontarians. There is a systemic flaw in the lack of metrics and accountability in things that matter to customers. Ms. Marshall replied that performance metrics have been a challenge for both organizations but the IESO will work to implement them.

Mr. Burkom agreed with Mr. White that 11 is a large number of initiatives. He suggested focusing on the impacts to the wholesale market, as these will be large. Mr. Butters added that it might help to prioritize the initiatives to help stakeholders see how their priorities line up. Ms. Serafini said there is no initiative in the plan to measure the risks involved in bringing two different groups together or to minimize such risks. Mr. Wilcox said clarity is needed urgently around what is happening at the community level with respect to projects.

There were no comments from the floor or from telephone participants.

#### **Agenda Item No. 4: MDM/R Data Access – Julia McNally, Przemek Tomczak**

Ms. McNally said the MDM/R is currently in use as a billing tool and there is potential for its use of MDM/R for analysis as well.

Mr. Tomczak added that the MDM/R serves to help LDCs bill their customers on time of use rates and supporting LDCs presenting consumption data to their customers.

He gave an update on four other initiatives in progress:

- The MDM/R Data Mart and Web Services will support a larger volume of data access capability using existing protocols and interfaces for data access. It has a 2015 target.
- The MDM/R Data Access Foundation Project will enable public value, determine what additional information (such as location) is required to enable analysis of electricity consumption information, and develop the rules to enable third party access to consumption data. Rules will consider eligibility, purpose, and conditions for access, including address security and privacy. This policy initiative has a Q3 2015 target.
- The MDM/R Data Access Platform Business Case Project is a Ministry of Energy Sponsored initiative to assess the benefits, costs, and implementation considerations for a provincial data access platform. This project considers the benefit of additional data sources (such as commercial & industrial consumption and embedded generation data, weather, etc.), together with MDM/R data, to help create actionable insights for Ontario. This project will consider new interfaces to facilitate access to this data for the OEB, LDCs, IESO, researchers and other parties. The business case target is set for 2015.
- The Green Button Initiative will enable consumers to access and share securely in a standard format electricity, gas, and water data and to help them to better manage their usage. Ministry of Energy is planning consultations on this initiative for spring/summer 2015.

Ms. McNally said the MDM/R Data Access Foundation Project has a tight timeline, with recommendations due by October of this year. The next steps are to make it stakeholder-driven

and to create a working group of 12 to 15 experts. Transparency will be ensured, and there will be broad outreach via the website and other approaches. A challenge will be how to put data and analysis together while protecting security and privacy. Ms. McNally invited the SAC members to provide their initial thoughts.

#### Comments from IESO SAC

Mr. Shervill asked why the IESO decided to go with a 12-15 member working group rather than open nominations for all interested parties. Ms. McNally replied that a four- to five-day commitment will be required and that 12 to 15 experts would constitute a manageable group. Mr. White shared Mr. Shervill's concern noting that it is hard to populate an expert group.

Ms. Serafini asked what the stakeholder process will look like. Ms. McNally replied that the outcome will determine what fields of information need to be added and how third parties can access the data.

Mr. White asked whether the Green Button Initiative will be standardized so that Ontarians can use it throughout North America. Mr. Tomczak replied that a standard format is being adopted throughout North America and around the world for retrieving and sharing data. Various pilot studies are under way for facilitating customers to share their data with third party application providers while respecting security and privacy.

Mr. Ferguson said the MDM/R does not currently support small to medium-sized businesses with consumption greater than 50kW. With limited knowledge, they are forced to use third-party data services. This results in a multi-site business having multiple billing processes, for example, and can lead to errors. Mr. Ferguson recommended having chambers of commerce represent these businesses in the working group. School boards, too, should be represented, as they are getting better at managing consumption and they have good ideas to share. Mr. Tomczak replied that originally there was a vision for the MDM/R to support institutional, commercial and industrial customers > 50kW. To date, the focus has been on the MDM/R supporting residential and small general service customers. How to tackle the challenges for larger consumers (>50kW) of electricity remains a question.

Mr. Thoma asked whether the MDM/R will gather power quality data, such as voltage spikes or harmonics. With more embedded generation, this will become increasingly important, and LDCs and consumers will want access to it in order to protect their assets. Mr. Tomczak replied that utilities have access to this information from their own systems in managing their distribution systems.

Mr. Wilcox said customers are paying for the MDM/R initiative, but most do not care about their consumption profiles. He suggested that perhaps their input on cost-effectiveness should be sought. He wondered whether the retail sector should shoulder some of the costs if it is to benefit from the initiative. Mr. Tomczak replied that the work will continue to analyze and reduce the burden on LDCs by interfacing them with utilities in a cost-effective way. There is tremendous value in leveraging the data. Mr. Horrobin agreed there is tremendous value, and given that, broad stakeholder consultation is required.

Mr. Hall said many consumers are paying more for the collection of metered data and want to know what is coming next. They do not know how to interpret or manage the data. He said he

would like to be updated frequently on these issues. Ms. McNally replied that various pilot studies are providing feedback, including pilots at Hydro One, Milton Hydro, Horizon Utilities, and PowerStream. Furthermore, the Green Button Initiative will enable customers to choose providers. Mr. Hall said there is a need to know what consumers think and how they prioritize on a limited budget.

#### Questions and remarks from participants on the floor at IESO SAC meeting

A stakeholder from the floor recommended that the working group look outside of the energy industry for innovations in technology because changes are happening quickly. This would ensure proper time frames and processes to enable customer access. Mr. Tomczak replied that this outreach will be encouraged as the working group develops rules for third-party access. A stakeholder asked how third parties will be enabled to help innovate the industry.

Another stakeholder from the floor said if the working group wants to make use of data, they should just give it to people. They should hire a statistician to deal with privacy issues and get on with the job, he said.

Ms. Serafini suggested that regular updates be provided to the SAC, given the short timelines.

#### **Agenda Item No. 5: IESO Management Update – JoAnne Butler**

Ms. Butler provided updates on five stakeholder engagements as well as on Energy Storage, Effective Separation Assurance, and the NUG Framework Assessment.

#### Stakeholder Engagement Update

IESO is consulting with stakeholders on a demand response auction and two pilot programs. The auction is scheduled to take place in 2015 for delivery in 2016. The IESO is releasing an RFP for 100 MW of Demand Response Pilots to focus on load following and unit commitment. Work began in fall 2014 on a capacity auction, which included meetings with stakeholders to address high-level design considerations. IESO is working through the comments it received in those discussions and will publish its response soon.

Additionally, a new stakeholder initiative on capacity exports will engage participants to allow generators to export capacity to other jurisdictions. A meeting will take place next week to go over principles and the work plan. With the completion of the Generator Cost Guarantee Review and the two-schedule system review, the recommendations made in the 2011 Electricity Market Forum have now been addressed. The IESO will take the results of these reviews and move forward in a more holistic approach.

#### Update on Other Initiatives

On the energy storage procurement, a list of qualified applicants will be finalized this month, and storage contracts will be issued in July. The effective separation assurance framework has been reviewed and submitted to the IESO Board. It is a focused effort to ensure all existing controls in the two organizations are harmonized. This includes maintaining a culture of ethical behaviours and codes of conduct, training, third-party inspections and audits, and an appropriate complaint/dispute process. Ms. Butler also invited stakeholders to provide comments on the proposed NUG framework assessment.

### Comments

Mr. Thoma asked whether there is a target for large versus small loads within the DR Pilots initiative, as operational issues may differ. Ms. Butler said she will take that back to the team as part of the design work. Mr. Thoma asked whether different technologies for storage capacity are being investigated. Ms. Butler replied that broad-based technologies such as batteries, flow batteries, compressed air, and pumped storage are all being looked at with a 5,000-kilowatt limit. Mr. Shervill said electricity service providers continue to have issues with the qualified capacity calculations in the DR pilot and expect to be involved in the DR RFP.

Mr. White said large consumers would like an opportunity to compete in the capacity export initiative. He recommended aligning with initiatives with New York, Ontario's largest trading partner, so that customers can participate such that consistency with neighbouring markets is achieved. For example, New York is rethinking its approach to governance and making emerging opportunities more viable, which is what Ontario needs to do. Ms. Butler invited Mr. White to comment at next week's stakeholder meetings on the capacity export initiative.

Mr. Wilcox asked whether \$127 million in potential savings can be realized on its own or whether other programs must be implemented. Ms. Butler replied that it can be implemented on its own and that other benefits exist that have not been quantified yet. For example, simplifying the system will get rid of congestion management settlement credits. Mr. White said \$127 million in savings is immaterial and the proposed simplicities may not deliver value to customers, and a true cost benefit analysis is required. Ms. Butler agreed with Mr. White and said a holistic view is needed that fully scopes out all the broader benefits of this initiative. Mr. Butters also agreed with Mr. White, saying that cost reduction for the sake of cost reduction is a non-starter for power generators. Mr. Horrobin offered that there are a lot of discrete market activities in the works and asked whether there is a holistic plan to address the interaction of all the market design changes. Ms. Butler replied that she will take Mr. Horrobin's comments back and that she, also, will look to provide that market vision over the coming months.. She stressed that the final goal is a market that does not distinguish between technology and provider, with lower consumer prices.

Mr. Butters recommended that optimal consumer prices, not necessarily lower ones, become the objective.

### **Agenda Item No. 6: Stakeholder priorities for the IESO for 2016 to 2018**

Mr. Wilcox said the annual average rate per kilowatt-hour remained relatively stable at about 10 cents from 1993 to 2005. It has since risen to about 15 cents and is nudging on the consumer's ability to pay. He said it should be a priority to reduce the impact of rising costs and also provide a standard, consistent response from the industry when customers ask why rates have gone up because there is a public perception that rates have increased two or threefold. In terms of conservation, Mr. Wilcox said he is concerned that residential and small-business customers will not benefit as much as large customers. An inclusive engagement process would help them to develop their programs. Finally, there should be opportunities to go to the customer rather than the other way around.

Mr. Shervill suggested rethinking Demand Response, not just for capacity but also for environmental benefits. He also noted that reasonable progress has been made on the Capacity Auction. The MDM/R is a tremendous asset, and benefits need to be unlocked to a variety of

parties. The NUG reassessment should be completed with urgency. Conservation First is a policy in name only; it is not always expressed as action. He encouraged the IESO to continue engaging market participants as new resources come into the market. More coordination is needed with the OEB, particularly with Conservation First around customers and consumption. Membership in the technical panel should keep evolving to more broadly reflect market participants. For example, storage resources are not yet represented.

Mr. Ferguson recommended that the IESO keep an eye on the aggregate effects on the system from renewable generation and storage. For example, there are four projects in Newmarket involving four large consumers who will no longer be paying for energy or for global adjustment in the future. Avoiding or reducing the global adjustment cost is driving consumer behaviour, and smaller consumers will bear the brunt. Small and medium-sized businesses are concerned and want to know how to mitigate their bills. He suggested focusing on engaging LDC customers in market initiatives.

Mr. White said reducing the cost of delivered power will keep Ontario competitive and create wealth, and this is needed to attract investment. He noted that Ontario has the highest prices for delivered power in North America, partly due to a 50-year-old commitment to CANDU technology, a flat topography, and continuing to pay costs borne from 30 years ago. Many costs are extra to normal power production such as: risk premiums, write-downs, unbudgeted expenses, simple errors, and the political desire to do something different.

With respect to legislation, Mr. White said objectives to promote efficiency, et cetera, are not being upheld by institutions. There are no metrics, no decisions being made on efficiency, and no clear accountability. These are excluded from the business plan. He said price, adequacy, reliability, and quality should be addressed. For example, it is not safer or more reliable in Ontario than anywhere else. Mr. White said his 42 members have survived thus far by writing down assets; however, the risks are too great to manage and cannot be hedged. Last month the delivered cost was 18.5 cents. The economic viability of load displacement has never been better, but there is a risk that changes will be made to the incentive structure in the bill. A 10-year forward curve to justify an investment incurs huge risk because of what the Ministry of Energy might choose to do. He provided three examples:

- 1) The IESO made a unilateral decision to put floor prices on nuclear generation, distorting price and outcome and reducing incentives for efficient consumption and load management.
- 2) Targets within the conservation framework are assessed in Year 6; meanwhile, many kilowatts of nuclear capacity will be refurbished. It would be better to know ahead of time what will be paid for conservation.
- 3) Power quality data is missing. Members are getting tripped and missing a full day of production as often as 16 times per year. Mr. White said it is unsatisfactory that the IESO lacks visibility on this. He has therefore decided to collect and report on quality data himself. All load losses are happening on the distribution side, and if competitiveness is to be restored, unnecessary risks must be eliminated, he concluded.

Mr. Butters commended the IESO to continue to provide a platform for policy advice that values the views of power generators. He said he hopes the technical panel review, commissioned in 2014, will be actioned in 2015.

It will be important to complete outstanding effective separation issues in 2015 and notes that his members have not yet received a response from the IESO after submitting detailed recommendations.

With respect to usage fees, he questioned how the IESO would manage OPA fees that were to be assigned only to domestic customers.

With respect to market evolution, a clear road map would be appreciated, outlining specific activities, timing, costs, and benefits. Appropriate consideration of contract impacts is necessary. External governance issues, such as capacity auctions, capacity exports, and outside sector decisions on capacity exchange, have impacts on how assets are managed.

An understanding of impacts on climate change is needed.

Power generators have been asking for a new NUG contracting framework and would like to be involved in this. With regard to large renewable procurement, not all generator organizations have been happy with the extent of consultation. The main issue is the voluntary termination provision. The generators want to provide input on financing.

It will be difficult to escape a rising cost environment, as there is a cost to keep the system reliable. It is important to remember that the value far outweighs the cost, and power generators are optimizing that cost.

Mr. Burkom said there is a great opportunity for the combined IESO and OPA entities to tackle transparency in system planning. With transparency, the market can provide better solutions, and there is an opportunity here to look at best practices in other jurisdictions.

The IESO had a paper on interties in 2014, and a good first step is to acknowledge this asset. In his view, the paper underestimates capacities of clean energy resources outside of the province. Clean energy can compete with any new or refurbished resource, and it needs an opportunity to prove itself.

Mr. Burkom added that he is concerned about the limited ability of stakeholders to challenge issues that impact them in terms of governance.

With respect to lowering consumer prices, the goal should be to lower overall production costs, not prices. He said such language reinforces why governance and effective separation are so important. Energy legislation on the table does not allow for the protection of all stakeholders.

Mr. Horrobin concurred with Mr. Butters priorities for the generators constituency.

Mr. Hall said his biggest concern is the high cost of electricity bills. On and off-peak rate structures, time of use, and global adjustment are very concerning, and there is little incentive for consumers to participate in the market anymore. Businesses with multiple sites wonder why bills differ in different jurisdictions, and mining the data is difficult. Businesses want to know how to get help from the LDCs. Large businesses and institutions have a better ability to tap into programs. They like the embedded energy manager that makes sense of data and can be applied to savings. More awareness of this is needed, as well as retrofit programs.

He also noted that small consumers want to know how to manage within the Green Button Initiative and Conservation First should be a top priority. Much needs to be done with respect to demand consumers. Increased utilization of demand-side resources must be supported.

He remarked that more consumer members are needed on the SAC.

Mr. Thoma said that few residential consumers have engaged in peak saver programs as financial motivation is needed. In addition, time of use rates need to diverge and global adjustment needs to be unbundled. For residential customers who are marginalized, he suggested considering mechanisms such as tax credits. Better educational tools that can be used to see usage and forecast prices are needed and these technologies are readily available. What is needed is a market where consumers can manage tools, technologies and costs on their own, or through the LDCs.

Ms. Serafini said the invisibility of conservation is an issue for electricity service providers. Customers need to more clearly see the benefits, and the challenge is how to bring this to consumers in the bill.

She outlined three top priorities for the IESO:

- 1) Stakeholder engagement among service providers and LDCs. A collaborative program is needed that is seamless for the customer, where gas and electricity share fairly, and where there is consistent delivery that does not diminish local initiatives.
- 2) Realign conservation priorities to meet the needs of applicants and customers while breaking down bureaucratic barriers.
- 3) Review and make better use of MDM/R data and billing. Metrics used to assess program spending and program value are needed. Historically, transparency has not been great. The IESO can help by supporting and facilitating a customer engagement strategy to help customers better understand the system and their role in it. Revisit pricing signals, for example. Review current constructs and conservation constructs as they relate to pay for performance. This will drive costs down. Establish a new transparency as it relates to reporting conservation results more frequently.

#### **Agenda Item No. 7: Adjourn**

Ms. Serafini adjourned the meeting.