

# IESO Priorities for 2014

Summary of Discussion with IESO Stakeholder Advisory Committee and Senior Management - May 14, 2014



The following is a summary of the May 14, 2014 meeting between IESO senior management and the Stakeholder Advisory Committee (SAC).

The purpose of this meeting was to discuss how the IESO will respond to the priorities that were identified by the SAC representatives at the March 26, 2014 meeting as the IESO initiates its business planning efforts covering an upcoming three-year time frame.

At the meeting, the IESO outlined the themes that emerged out of the priorities submitted by the SAC representatives and responded with the initiatives either currently underway or planned by the IESO. These items are outlined below.

## Education and Awareness

Greater education and awareness in the electricity market to support energy management

- Help understand and manage costs
- Increase engagement and participation
- Build trust
- Market basics and pricing
- Support engagement in market initiatives
- Transparency
- Support LDC efforts

*IESO Response:* The IESO will continue its education and awareness efforts through the Market Education program and will continue to look for ways to better understand consumers' information needs. In addition:

- Facilitate discussions with the SAC and IESO Board of Directors to identify the information needs of consumers within the broader electricity sector and the role the IESO might have in meeting those needs
- Review and identify opportunities / improvements in sector communications and training efforts

## Stakeholder Engagement

Coordinate communication and engagement efforts to promote consistency in the sector

- Consistent messaging across the sector to better educate and support stakeholder awareness and involvement in market activities
- Ensure open access to stakeholder discussions

*IESO Response:* Commitment to an effective stakeholder engagement process will remain a priority for the IESO over the next few years with a particular focus on maintaining the effectiveness of the SAC and other stakeholder groups and supporting procedures, including:

- Look for ways to enhance education efforts at SAC public meetings and the annual stakeholder summit

- Promote effective stakeholder participation in engagement activities through education and awareness

## **Demand Response**

Enhance demand response opportunities in the market

- Integrate DR3 into the market
- Match market needs with DR products
- Regional DR
- Increase consumer involvement
- Support business in managing consumption/costs

***IESO Response:** The IESO's priorities in demand response (DR) are largely aligned with the priorities identified by the SAC with a near-term focus on maximizing the value of DR at local, regional and provincial levels to improve consumer involvement in the market and providing opportunities to help consumers lower net electricity costs. In order to facilitate this, over the next three years the IESO will work to:*

- Reduce unnecessary barriers for participation
- Improve activation triggers for DR3 contract holders and integrate them into the market
- Look for ways to match system needs with DR products – through pilots
- Work with stakeholders to implement an effective DR auction into the market

## **Market Development Enhancements: Focus on Costs and Price**

Improve price signals, lower costs and find efficiencies

- Review LDC use of 1st estimate of global adjustment
- Comprehensive cost benefit analysis (that includes existing contracts) to identify material efficiencies
- Implement market changes that can lead to efficiencies and help lower costs
- Better price signals - both market and TOU

***IESO Response:** In order to enhance the IESO's Market Development Planning, the IESO will continue to look for enhancements to the market through demonstrated cost-benefit analysis with a focus on identifying areas where there is opportunity for cost savings both on the system and for consumers. In addition, work with the OEB and Ministry of Energy to continue to improve the effectiveness of time-of-use rates.*

*Through discussion at the meeting, the need to improve communications and/or applications of the global adjustment rates was raised and the IESO agreed to look for opportunities to work with local distribution companies to support future education and awareness efforts.*

## **Market Development Planning**

Continue efforts on market evolution

- Transmission Rights Market Review – Phase II
- Opportunities for capacity market in Ontario
- Review capability of interties including capacity exchange and identifying and minimizing barriers to participation
- Seek innovative opportunities to enhance market efficiencies

- Consider opportunities for collaboration with OPA in Conservation First Directive

**IESO Response:** *The IESO remains committed to evolving the electricity market in Ontario and will continue to seek stakeholder input on these planning efforts through the Market Development Planning initiative introduced to the SAC in the fall of 2013. This planning initiative is a continuation of the Electricity Market Forum work to help prioritize the following key initiatives:*

- *Phase II of the Transmission Rights Market Review stakeholder engagement initiative is expected to commence later in 2014*
- *Continuing to move forward with investigating capacity markets and its associated design for Ontario to support competition among imports, DR and generation to meet capacity needs*
- *Review the interties in Ontario to outline their current use in order to identify the opportunities, risks, and considerations of various transactions that could be undertaken*
- *IESO system enhancements/replacements to support a multi-year refresh of tools for both internal and external systems including market information systems, meter data and IESO settlement system*

*Coordination among agencies, education and consultation efforts in each of these initiatives will be considered.*

### Operations Enhancements

- Future planning for adequacy of entire system should consider regional planning needs, conservation targets and future transmission systems needs as tighter supply could increase risk for transmission outages
- Improvements to demand forecasting
- Outage planning improvements to provide increased advanced approval and certainty
- Minimize administrative burden to participate in market
- Review risks vs. costs in adopting NERC standards for Ontario
- Enhanced, integrated, coordinated communication efforts during system events
- MDM/R opportunities
- Look for improvement opportunities within operating processes of IESO Technical Panel

**IESO Response:** *Reliable and efficient planning and operation of the IESO-Controlled Grid and IESO Administered Markets continues to be a key priority. Enhancements to operations are critical to meeting this priority and the IESO will focus on the following areas over the 2015 to 2017 business planning period:*

- *Assess and accommodate near-term day-to-day system needs (robust to resilient) to address future needs including significant increase in new participants (registrations and connections) and incorporating new technologies (enhancements to modeling, assumptions) while maximizing the current assets to accommodate an efficient future supply mix*
- *Support initiatives including storage targets, DR integration, market evolution initiatives, intertie capabilities, energy reporting, regional planning needs and provincial adequacy planning efforts*
- *Support capital work programs for tool and system enhancements including market participant enrolment automation and outage management system upgrades*
- *Continue to enhance operating protocols and communication efforts in gas/electricity coordination*

- Continue to work with NERC and market participants on the development of value added operating standards, rules, policies and protocols and participate in operational audits
- Improvements in demand forecasting methodologies to continue to include conservation factors and to accommodate an increase in embedded generation
- In order to accommodate the increasing number of data queries, the IESO will be expanding the use of the Meter Data Management/Repository through the implementation of a new Data Mart
- Technical Panel review within the context of the existing stakeholder engagement process

## Information / Transparency

Open access to market information to empower decision-making in market

- Continue efforts to promote and include stakeholder input in transparency
- Simple and clear information
- Communicate and engage using cost-effective technology solutions – ie. websites/apps

*IESO Response: The IESO will continue working with stakeholders to ensure that the information provided meets the needs of stakeholders through the following channels:*

- IESO working groups to understand stakeholder needs on tool developments
- Work with the government's open data and enhanced energy reporting initiatives
- Re-launch a market information working group to identify and prioritize data needs
- Continue to enhance the functionality of the IESO's new website

Other priorities identified by the IESO for its 2015 – 2017 business planning process include:

- Enhanced training and development activities related to IESO recruitment processes to support workforce attrition including knowledge transfer
- Continue outreach efforts in cyber security through the Cyber Security Forum which collaborates on, and shares best practices to address existing and emerging issues to help improve individual organization's cyber security programs
- The undertaking of projects to comply with NERC Critical Infrastructure Protection Standards version 5 which become effective April 1, 2016. Initiatives include things such as identity access management, physical security authentication, IT components tracking system and Bulk Electric System recovery upgrades

## Winter Review of IESO Administered Market

In response to discussion at the March 26 SAC meeting, the IESO also provided a summary of the operations over the past winter months that resulted in higher than average electricity prices. As discussed, the following summary of market operations and the resulting factors that led to higher costs include:

Market Operations:

- The winter of 2013/ 2014 broke records across North America putting electricity systems under severe test
- Ontario's IESO administered market performed very well and reliability was maintained

- Market prices reflected underlying costs and ensured power flowed to where it was needed
- High natural gas prices and sustained above normal demands for electricity were key factors leading to high market prices, which have since returned to more moderate levels
- For most consumers the volatility in the market was largely offset by Global Adjustment

Key drivers to higher electricity prices have been attributed to the supply of natural gas:

- High electricity market prices can be traced back to the natural gas market
- Gas demand higher due to colder than normal temperatures in Jan/Feb:
  - Heating Degree-Days up 24% in 2014 (Toronto Area)
  - 1 in 35 year winter for heating degree days (Union Gas territory)
- High natural gas prices in Ontario led to higher fuel costs for Ontario's natural gas fleet