

IESO Stakeholder Advisory Committee
Minutes of Meeting
October 22, 2014, 8:30 am
St. Andrew's Conference Centre, Toronto

Advisory Committee Members:

Mr. Todd Wilcox – Chair (representing Conveyors)
Ms. Ersilia Serafini – Vice Chair (representing Electricity Service Providers)
Mr. Jack Burkom (representing Electricity Service Providers)
Mr. David Butters (representing Generators)
Ms. Michelle Chislett (representing Generators)
Mr. Steven Hall (representing Consumers)
Mr. Richard Horrobin (representing Generators) (via teleconference)
Mr. Ted Leonard (representing IESO)
Mr. Mark Schembri (representing Consumers)
Mr. Paul Shervill (representing Electricity Service Providers)
Mr. Wayne Smith (representing Conveyors)
Mr. Tony Thoma (representing Consumers)
Mr. Adam White (representing Consumers)

Absent:

Mr. Paul Ferguson (representing Conveyors)

Presenters:

Mr. Ted Leonard
Mr. Bruce Campbell
Mr. Mark Wilson
Mr. Terry Young
Mr. Len Johnson

IESO Board Members:

Mr. Bruce Campbell
Mr. David Cassivi
Ms. Angela Ferrante
Ms. Margaret Kelch
Ms. Tricia O'Malley
Ms. Helen Polatajko (via teleconference)

Agenda Item No 1: Welcome – Todd Wilcox

Mr. Wilcox opened the meeting and welcomed everyone. He introduced the members of the IESO Board of Directors and Stakeholder Advisory Committee (SAC) Members in attendance and participating by telephone. He announced that he has been advised that both the IESO and OPA SACs would continue for beyond the merger of the IESO and the OPA for the near term.

Mr. Wilcox also announced that Mr. Wayne Smith would be leaving SAC at the end of the year as he is retiring.

Mr. Wilcox reviewed the agenda and then asked Mr. Leonard to provide the IESO Senior Management Update.

Agenda Item No 2: IESO Senior Management Update - Ted Leonard

IESO-OPA Merger Update (Bruce Campbell)

http://www.ieso.ca/Documents/consult/sac/SAC-20141022-2F-OPA_Merger_Update.pdf

Mr. Leonard invited Mr. Campbell to provide an update of the merger activities. Mr. Campbell noted that there is a lot of work going on and more employees of both organizations are becoming involved. A series of work streams have been designed to complete the over 100 mandatory deliverables that have been identified for day one. For example, email addresses, letterhead, finance, website, licencing, and mandatory security training. There are a number of objectives for the merger which include maintaining the day to day functions of the market, providing an adequate supply of electricity for the province, developing a productive organization that works on behalf of the ratepayer, minimizing disruption, as well as providing a lower combined fee and an overall lower head count and ensuring that markets and contracts work together for the benefit of the consumer. He noted that the new CEO and Board of Directors are not yet in place and that the organizational structure cannot be decided until the new CEO is in place.

There were no questions.

Stakeholder Engagement Update

http://www.ieso.ca/Documents/consult/sac/SAC-20141022-2A-Stakeholder_Engagement_Calendar.pdf

http://www.ieso.ca/Documents/consult/sac/SAC-20141022-2B-Capacity_Auction.pdf

http://www.ieso.ca/Documents/consult/sac/SAC-20141022-2C-Demand_Response.pdf

http://www.ieso.ca/Documents/consult/sac/SAC-20141022-2D-IT_Systems_Update.pdf

http://www.ieso.ca/Documents/consult/sac/SAC-20141022-2E-Technical_Panel_Update.pdf

Mr. Leonard noted that the October Stakeholder Engagement Update was provided in the materials and offered a brief update on some of the activities including the Generation

Guarantee Program Review, the On-line Registration Working Group and the IESO Reports Site Refresh. He also provided an update on the launch of the Capacity Auction stakeholder engagement as well as demand response (DR) activities at the IESO.

As a final update item, Mr. Leonard provided a summary of the discussions from the last IESO Technical Panel (TP) meeting held on September 30. He noted that a similar update is given to the TP members about the discussions at SAC meetings.

Mr. Leonard referred everyone to the memoranda provided as part of the meeting materials and invited questions and comments.

Demand Response

With respect to the DR pilot projects, Mr. Thoma asked if there was a targeted split or preference between the Unit Commitment and Load Following services proposed through the pilot project. Mr. Leonard responded that the IESO does not have a particular preference and is looking to gain experience with both.

Mr. Thoma asked if one option is more beneficial than another. Mr. Leonard responded that the IESO sees benefit with both.

Mr. Wilcox asked about the status of the peaksaver Program with the IESO's DR activities. Mr. Leonard responded that the peaksaver Program has been extended to the end of 2015 to determine how it fits in the future. Mr. Wilcox asked if communication to the customer is required. Mr. Leonard responded that there are no changes forecast between now and the end of 2015.

Capacity Auction

Ms. Chislett commented that from a renewable generators perspective, there has not been enough robust discussion on capacity auctions. There have been good information sessions but she expressed a need to spend more time to determine if capacity auctions are the right mechanism for Ontario.

Mr. Butters supported Ms. Chislett's comments and noted that he has also heard from constituents on this matter.

Mr. Butters then asked Mr. Leonard if feedback would be posted on the capacity auction stakeholder engagement. Mr. Leonard confirmed that feedback would be posted. Mr. Butters indicated that his discussions with government assured him that there was no predetermined outcome with respect to the capacity auction but it appears to him that the IESO has predetermined the outcome. Given the views of potential participants and investors on this, he is interested to know how the IESO plans to address it.

Mr. Leonard responded that the IESO has demonstrated the potential benefits of a capacity auction. The IESO continues to believe in the opportunities presented through a capacity auction and needs to determine in the detail design if it can resolve the challenges presented by stakeholders. There are three distinct options – energy only market, contracted solutions, and something in between which the IESO believes is a capacity auction. The IESO is confident that stakeholder issues can be addressed in the design phase.

Mr. Butters disagreed, and noted that this is a complex and contentious issue. Capacity markets in other jurisdictions have been contentious and there are different views about how successful they have been. Generators believe that the process is moving too quickly and they do not believe the case has been proved. More input is needed and more time and space is needed for these discussions. The general view is that generators are getting forced into a corner as in the General Conduct Rule.

Mr. White commented that, without prejudice to AMPCO's participation in future consultations, he wanted to provide an alternative perspective to the views of the generators. He noted that there is support for the IESO to move forward with the development of a capacity market. Further, that Ontario is in the process of transitioning OPA contracted type of arrangements into a future market basis. Secondly, he stated that Ontario should procure things in new ways and that auctions are a conventional approach. He is interested in innovative ways that loads can participate. He will continue to support the IESO's exploration of a capacity auction. He noted that customers have invested in being more demand responsive and flexible in power operations.

Mr. Butters responded that he is not persuaded that this is the best cost solution for rate payers or for those who would invest. The generator community does not think there has been enough rigorous assessment. Mr. White responded that there is lots of time. The demand response pilots will provide information. He suggested that the assessment continue but recognize that it might not be the final solution.

Mr. Shervill stated that while he is in favour of completing a cost-benefit analysis of a capacity auction he believes, contrary to some other views, that the stakeholder engagement should continue and that the cost-benefit work could be accommodated along the way.

A stakeholder from the floor representing renewable energy generators stated his support for Mr. Butters and Ms. Chislett. He urged the IESO to have an open discussion about the challenges in capacity markets in other jurisdictions and stated that more work is needed. He asked Mr. Leonard if the IESO will be bringing what Mr. Butters is asking for to the December meeting.

Mr. Leonard responded that the IESO continues to believe that the merits exist to explore a capacity auction.

The stakeholder noted a more balanced discussion was needed with respect to the efficacy of the existing capacity markets as all of the jurisdictions that have restructured their power markets only three have capacity markets. He stated that more have chosen not to have capacity markets and there are well documented reasons why that this is the case. Considering some of the design limitations, a capacity market is more challenging to implement in Ontario. Those challenges need to be discussed.

Mr. Butters stated that the IESO is moving too fast and too far without enough time for deliberation on important issues. He is not saying to stop the conversation, but implored the IESO to stay true to its stakeholdering principles and process. He said he wants to take the time for robust discussion and provide considered thoughts.

Additional Comments

Ms. Chislett noted that constituents had concerns about the recent release of Baseline 32.1 where some of the proposed changes and implications are not fully understood. There was a request to stakeholder the changes especially as it pertains to OPA contracts.

A final comment came from the telephone however, due to telecommunication issues the comment was provided via email following the meeting and is summarized in these minutes as follows: The participant thanked Ms. Chislett, Mr. Butters and the participant from the floor for their comments on the capacity auction and the positions taken. It was also requested that the IESO consider initiating a stakeholder engagement or information session to help all renewable generators better understand Baseline 32.1, especially since it is relevant to Board-approved Floor Prices. He adds that this also potentially impacts contracts with OPA. He noted that the IESO's CEO has gone on record that any future Market Rule amendments will take into account contract implications.

Agenda Item No. 3: Review of Ontario's Interties – Mark Wilson

http://www.ieso.ca/Documents/consult/sac/SAC-20141022-Review_of_Ontarios_Interties%20.pdf

Full report: <http://www.ieso.ca/Documents/IntertieReport-20141014.pdf>

Mr. Wilson presented a summary of the report including the recommended course of action and took questions.

Mr. Shervill commented that the report was good. In reference to Quebec scenarios 3 and 4 and the Manitoba scenarios he asked whether or not the IESO had done any analysis about how difficult it is to get the social licence to build any new infrastructure in the province.

Mr. Wilson responded the report did not address that issue. He noted that large construction projects are difficult to move forward and the construction time frame estimates tried to reflect some of that but that the report sought to identify some of the opportunities that could come

from the interties and what would be needed to accommodate those opportunities. He agreed with Mr. Shervill that there were significant hurdles.

Mr. Smith commented that transmission, particularly in the Ottawa area, provides other benefits such as enhanced reliability. Further, Ottawa transmission will have to be enhanced due to prospective load growth. He said that new Ontario generation such as renewables has driven considerable transmission and distribution investment. For example, \$700 million was spent on the Bruce to Milton line to accommodate wind in that area.

Mr. Smith further noted that the investment for smaller projects (smaller Quebec imports), could be less expensive than the transmission investments that are being made to put distributed generation into Ontario.

Mr. Burkom commented that this is an extremely important issue for his constituency. He had some concerns with the report and did not agree with the conclusions it reached. His interpretation of the report was that clean energy imports are essentially impossible and would never be cost effective. He was surprised by that conclusion given that Ontario has one of the most robust transmission systems in the region as well as some of the highest power prices in all of North America.

He noted that Ontario is facing one of the biggest supply deficits in the eastern interconnect and they believe that the industry should be doing everything it can to help understand the cost and implementation implications of all potential solutions. Mr. Burkom stated that Brookfield is one of the largest generators in the province in fossil, hydro and wind, with generator expertise in Hydro Quebec, New England, New York, PJM, MISO, SERC Energy, California, British Columbia, the Pacific Northwest and the Southwest Power Pool. Looking at the supply deficit they see in the future he noted that they are supportive of the IESO's work on capacity markets and asked that the IESO take the same approach when looking at clean energy imports. He stated that policy makers should look for solutions as to how to enable clean energy imports. Regardless of the result, he is not convinced that this report provides useful guidance.

Mr. White commented that there are assumptions in the report that clean energy imports would not displace Ontario generation. He noted that the LTEP lays out a path for Ontario and his constituency has concluded that the LTEP plan for Ontario is not viable because of costs. The fundamental policy question that the IESO still needs to address is, "What alternatives are there?" He understands the challenges of dealing with that now, as opposed to after the merger so it is something to bring forward in the first quarter of 2015 to discuss what the new IESO could do with its new powers and responsibilities for planning. The report includes recommendations to move forward regardless of what criticisms they might have of the substance of the report (i.e. allowing imports and exports of capacity which is important) with the caveat in recommendation 4. that there will be some limitation on the interties. He said he would be interested to see how the IESO plans to proceed.

Mr. Wilson responded that the IESO is working on ancillary services with Hydro Quebec for Operating Reserve. Once the IESO has gained experience it will expand to others who are able to participate. The IESO does have the ability to participate in ancillary services at other interties but neighbouring jurisdictions do not want the risk of having transactions implemented or curtailed mid hour. He noted that there is no plan to move to 15 minute scheduling on the interties at this time but it is recognized that neighbouring jurisdictions are moving toward it and FERC is endorsing more frequent scheduling.

Mr. White responded that this could fit into the energy pricing review.

Mr. Thoma estimated that there would be 10 to 15 per cent transmission line losses for transporting Quebec based generation into Ontario, so consumers need to understand that someone has to pay for these line losses. He noted that Ontario and Quebec have complementary seasonal load profiles and agrees with the premise of transmission asset enhancements to allow for seasonal trade. He also questioned whether a baseload contract with Quebec is feasible in the long term. He also noted that there are a number of mothballed generation sites that OPG owns today that have underutilized transmission assets and recommended that new generation be placed at these sites to minimize transmission cost.

Mr. Hall commented that clean imports are a priority. He is unsure of the benefits that Quebec could provide to Ontario. He agreed with Mr. Smith that transmission improvements need to be made in the Ottawa area regardless of this discussion. If there are opportunities due to seasonality between Quebec and Ontario, they should be considered, however the report did not address the appetite for generators to make investments.

Mr. Butters added that there is an opportunity post-merger to bring all of the issues together and resolve the different points of view and move forward.

Mr. Schembri asked Mr. Smith if these enhancements support reliability in southern Ontario or only the Ottawa Region. Mr. Smith responded that investments in the Ottawa region would support the Ottawa region and to the extent that there is more generation to Ontario in general then it benefits Ontario as a whole.

Mr. Schembri recognized the expertise and contributions of Mr. Smith on the SAC and noted that he will be missed.

Agenda Item No. 4: Report of Technical Panel Review – Terry Young

http://www.ieso.ca/Documents/consult/sac/SAC-20141022-Report_of_Technical_Panel.pdf

Terry Young introduced the agenda item and conveyed the request from the IESO Board of Directors that SAC members provide comments on the Report of the Technical Panel Review.

Mr. Wilcox noted that pages 12 to 18 of the presentation provide a summary of the recommendations from the review and proceeded to poll the members for comments.

Mr. Butters said that the general view of the generator community was that the review was a worthwhile effort. They believe in continued improvement. Mr. Butters noted that transparency was one of the issues originally raised in March 2014 by the generator sector and that the recommendations would improve the transparency issue with the caveat that the TP membership should be present when the IESO present matters to the IESO Board. He raised voting rules as another issue of concern and noted that the recommendations in the report go a long way toward addressing this. The generator sector still believes that the IESO should not have voting rights on the Technical Panel and it is important that the Chair of the TP does not have a vote. Mr. Butters pointed out that that the Chair having voting rights is unusual except in parliamentary situations.

Mr. Wilcox asked why Mr. Butters thought that the IESO should not have a vote.

Mr. Butters explained that the Technical Panel is there to review rule amendments brought before it. Since most matters are brought forward by the IESO, the IESO has a pre-existing point of view so it is not clear why the IESO requires a vote. The IESO can still have a member on the Technical Panel.

Mr. Butters supported the increase in generator representation and the identification of technology sectors in the recommendations. Mr. Butters questioned the rationale behind the recommendation for two conservation & demand management representatives given the disparity between the resource sizes. He raised other concerns related to representation such as how members get on the technical panel, terms etc. that will have to be resolved after the merger.

Mr. Butters commented that the report did not satisfactorily address the interplay between the Technical Panel and SAC and suggested that one of the things that could be looked at would be allowing SAC to vote (with reasons) on policy issues. The IESO would not have to follow the vote but it might be helpful for the Technical Panel to know when issues come up whether a policy was endorsed at SAC.

Mr. Butters concluded that he hoped that IESO Management and Board of Directors consider the recommendations in the report and concerns raised by the generator sector in moving forward.

Ms. Chislett noted that it was imperative to accept the recommendation to have a dedicated renewables representative on the Technical Panel.

Mr. Wilcox asked Mr. Shervill for his perspective on the recommendation to have two conservation and demand management representatives on the Technical Panel. Mr. Shervill

responded that he thought it was fair for balanced representation to reflect the new mix of market participants. Mr. Shervill added that the representatives will need to have both good knowledge of wholesale markets and technical expertise to sit on the Technical Panel. Mr. Shervill endorsed the idea that all Technical Panel members have more interplay with SAC and stakeholder activities and need to reflect this in their voting.

Ms. Serafini agreed with Mr. Shervill's comments and was pleased to see a more balanced representation. She also agreed with Mr. Butters and questioned additional conservation & demand management representation beyond the one that was added. She noted that it will be challenging to find someone to represent that role with the technical expertise that will be required.

Mr. White sought clarification on the timing of the proposal. Mr. Young responded that the report would go to the new IESO Board. Mr. White stated that it would be his preference to bring the recommendations back to stakeholders rather than take it forward to the new Board. He stated that the merger represents an opportunity to rationalize stakeholdering processes in the new organization which should be considered not just in terms of how many processes there are or what issues but which stakeholders are represented at which level. Mr. White noted that he sits on both the IESO and OPA SACs and there is no need for two SACs going forward.

Mr. White noted that his constituency is under represented on the Technical Panel. He said that voting remains an issue as the Technical Panel and SAC are advisory bodies not decision makers – he is opposed to voting at SAC. Mr. White noted that member/constituency views should be captured with opinions, not votes.

Mr. Horrobin stated that he generally agreed with Mr. Butters comments. Mr. Horrobin asked if and when new membership is formed for the Technical Panel will all seats be open for election or will existing members retain their positions going forward? Mr. Horrobin's preference would be that all positions be open for election.

Mr. Young restated that there are to be no changes at this time.

Mr. Wilcox asked Mr. Butters to comment on the voting.

Mr. Butters clarified that he thought that it would be beneficial for Technical Panel members to know whether SAC generally endorses a particular initiative within the IESO business plan. Voting may not be the right way of doing it but there does need to be a better linkage between the Technical Panel and SAC because they are connected.

Mr. Burkom commented that the report was constructive and the Technical Panel is relevant and needed. He stated that they are supportive of the recommended change in composition of the Technical Panel and agree with Mr. Butters with respect to the elimination of the vote for

the IESO representative. In the instance where IESO does not accept the decision that comes out of a vote Mr. Burkom would like to see the rationale behind that decision. Additionally, governance is a more important and critical issue for all stakeholders than the composition of these various groups.

There were no comments from the floor or the telephone.

Any additional feedback was requested to be provided to Stakeholder Engagement by October 31, 2014.

Agenda Item No. 5: IESO Operations Update – Len Johnson

[http://www.ieso.ca/Documents/consult/sac/SAC-20141022-IESO Operations Update.pdf](http://www.ieso.ca/Documents/consult/sac/SAC-20141022-IESO_Operations_Update.pdf)

Mr. Johnson presented the Operations Update. Mr. Johnson reported that the IESO had been audited by NPCC for reliability and cyber functions and the IESO is pleased with the audit results. The auditors complemented the IESO on its culture of compliance, cited a number of examples of excellence, and made two suggestions for improvement.

Mr. Johnson noted that surplus baseload generation (SBG) management was challenging this fall. The key to managing the SBG was the nuclear maneuverability, water management, and wind dispatch. There were approximately 300 nuclear manoeuvres this year preventing an estimated 12 shutdowns. Recent events have used the full flexible nuclear capability plus close to full wind dispatch to prevent nuclear shutdowns. During SBG, wind is proving to be the most flexible resource. The IESO estimates that 90 per cent of the hours in September and 60 per cent of the hours year to date were in SBG.

Mr. Johnson addressed winter preparedness and gas-electric coordination. Gas storage is now back up to the expected levels and is in good shape for the winter. The IESO is modifying communications with the gas fleet to ensure timely and easily understood messaging of system needs and changing conditions. A market operations awareness session will be held on November 5 to discuss these initiatives. He explained that FERC issued Order 787 authorizing voluntary sharing of non-public operational information between gas pipelines, gas storage and electric utilities to promote reliability and planning. The OEB is undertaking a Natural Gas Market Review and the IESO has asked the OEB to investigate a similar arrangement in Ontario.

Mr. Johnson reported on the 2015 spring outage plan. In April and May 2015 there are an estimated 7,300 MW of nuclear outages and Ontario will have to rely on imports and natural gas supply. The IESO is working with gas pipelines, gas generators, transmitters and neighbouring jurisdictions to ensure sufficient supply is available. This is the first major planned outage event where the IESO is planning to use its newly developed simulator to prepare operators and the IESO is very optimistic that this will showcase the power of the simulator.

Mr. Johnson noted that planned outages were up 3 per cent last year and are projected to be 10 to 15 per cent higher this year. The increases are due to an increase in Hydro One's capital work budget which includes connecting new variable generation and a greater number of participants in the market (i.e. variable generators).

Mr. Thoma asked about prospective natural gas storage levels at the end of the spring period given that natural gas generators will be used extensively in the spring. Mr. Johnson responded that conversations with gas pipeline and gas storage providers revealed that due to Ontario's robust gas system it is expected that appropriate gas will exist for generators regardless of the gas storage levels.

Agenda Item No. 6: Other Business

An issue was raised by a participant from the floor. The attendee asked about a recently issued Interpretation Bulletin related to the eligible costs allowed under the Generator Cost Guarantee Program. The stakeholder is very concerned about the lack of opportunity for input into that Interpretation Bulletin and is seeking an opportunity to do so.

Mr. Leonard responded that the IESO is comfortable with the process it has undertaken noting that stakeholdering is not required under the Market Rules. As such, the IESO does not intend to introduce a stakeholder engagement.

Mr. Butters added that generators were surprised that the Interpretation Bulletin was introduced without discussion or notice. He noted that generators have had discussions with the IESO and he is certain they will continue.

Agenda Item No. 7: Adjourn

Mr. Wilcox adjourned the meeting.