

**OPA Stakeholder Advisory Committee
Minutes of Meeting
March 5, 2015, 1:00 pm
Metro Toronto Convention Centre**

Advisory Committee Members:

Mr. Brian Bentz – Chair (representing Distributors)
Mr. Bryce Conrad (representing Distributors) (via teleconference)
Ms. Laura Cooke, (representing Transmitters)
Mr. Jared Donald (representing Generators)
Ms. Julie Girvan (representing Consumers)
Mr. Tim Gray (representing Environmental)
Ms. Valerie Helbronner (representing Generators)
Mr. Geoff Lupton (representing Municipal)
Mr. Rob Mace (representing Distributors)
Ms. Brenda Marshall (representing Generators)
Mr. David Timm (representing Generators)
Mr. Adam White (representing Consumers)
Mr. Terry Young (representing IESO)

Absent:

Mr. Steve Baker (representing Gas Utilities)
Mr. John Beaucage (representing Aboriginal Communities)
Mr. Ian Rowlands (representing Advisory Council on Conservation)
Mr. James Scongack (representing Generators)

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 – Brian Bentz

Mr. Bentz opened the meeting and welcomed all those in attendance. He explained that the IESO currently has two Stakeholder Advisory Committees (SAC) running simultaneously, the other being the IESO SAC, which concluded its meeting immediately prior to this one. Since this is first meeting of the year, it is important that stakeholders have line of sight to know what the new IESO will be dealing with, which he said would be articulated in Kimberly Marshall's presentation of the business plan for 2015.

Mr. Bentz reviewed the agenda and then asked Mr. Campbell to provide an update on IESO's merger activities.

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 from OPA SAC

Mr. Bentz said his organization has undergone a couple of mergers and the transition phase requires focus. He asked how IESO defines success now and how it will measure success in the years to come. Mr. Campbell said IESO must continue to present one face—a consistent business where the elements are integrated. He said the people side of the merger is coming together terrifically. Savings have been made on the run rate, and a number of initiatives are under way that will soon begin to deliver results. IESO's resource choices over the next two years will answer questions about its focus.

Mr. Bentz replied that he had an opportunity to visit IESO after the merger and would agree with Mr. Campbell's positive assessment of the transition.

Agenda Item No. 3: IESO Management Update – Terry Young

Mr. Young said a number of stakeholder engagement initiatives are under way and updates are posted on the website (www.ieso.ca/se). IESO is consulting with stakeholders on a demand response auction and pilot programs. The auction is scheduled to take place in 2015 for delivery in 2016 and 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.

There are currently 42 qualified applicants for the large renewable procurement. Final RFP documents are scheduled for release on March 10, 2015. IESO will continue to work with qualified applicants throughout the process.

Regarding conservation items, a working group has been formed to begin work on an achievable potential study. The study will commence in June 2015, to be completed by mid-2016. All 75 local distribution companies (LDCs) have now signed Energy Conservation Agreements and three LDCs have finalized their Conservation and Demand Management (CDM) plans. Mr. Young congratulated Mr. Bentz for being the first to sign an agreement, put a CDM plan in place, and have the plan approved. All CDM plans have to be submitted by May 1, 2015.

IESO has procured approximately 35 megawatts of storage and expects to post an RFP for a second phase by the end of March 2015.

Regarding separation and the handling of information between markets and contracts, management provided the Board with a framework for ensuring that controls are documented; harmonizing access controls, reporting, and auditing; and accessing dispute processes. An outline of the framework to be used for assessing non-utility generators (NUG) was included in materials distributed prior to the meeting. Mr. Young asked SAC members to review this document and submit any comments.

Comments from OPA SAC

Mr. White asked how many separate stakeholder engagements are now under way, who the participants are, and what kind of potential benefits are involved for each of them. Mr. White also noted that a consultant's proposal to move from a two-schedule system to locational pricing that estimated the total NPV benefit to customers of \$100 million, which, in a \$17.5-billion-a-year market, is a "rounding error." He recommended that IESO focus its resources and SAC's time on items that really matter to consumers and less on engineering items that are of interest only to some. Mr. Young replied that IESO's executive team is very aware of stakeholder fatigue regarding the number of initiatives and tries to design processes that allow participants to come and go as their interest and return on investment dictate.

Ms. Girvan asked whether an LDC is obliged to spend the money in its CDM budget even if the cost to implement the program is lower than projected. Mr. Bentz said there are incentives for LDCs to come in under budget. Ms. Girvan asked how IESO judges the cost-effectiveness of a CDM program, regardless of whether or not the target is reached. Mr. Young said an implementation steering committee is being put in place that will refine the working group

structure to better drive innovation and promote dialogue. Mr. Mace added that CDM plans are evaluated as to whether they are an efficient use of resources.

Ms. Cooke said Hydro One is most concerned about both the large number of consumers using electric heat and its First Nations customers, so any CDM program it implements will be designed for those groups. Building flexibility into its plans to allow for a focus on specific customers' needs is a top priority.

Responding to a question from Mr. Lupton about how multi-jurisdiction customers, such as chain stores, engage in CDM programming, Mr. Young said an initiative is under way to address this and will return to SAC when more work has been completed.

Ms. Helbronner noted that IESO has not provided any information about external oversight in its rules for separation assurance. Mr. Young said a working group set up before the merger ranked priorities post-merger, and IESO is now working through that list. The first priority was the separation of information, and work on other related issues will commence shortly.

Mr. Campbell added that IESO leadership sees a need for external reassurance, included in the strategic framework under reporting and auditing. Periodic reviews will assure people that IESO is following appropriate procedures. Ms. Helbronner replied that it would be helpful to know whether IESO will have a forum to thoroughly address external audits.

Mr. Timm said angst remains around the effectiveness of consultations on the large renewable procurement (LRP). Many in the generator community have expressed dissatisfaction with IESO's lack of transparency in handling input on the creation of new rules and contracts, specifically relating to termination provisions and connection screening processes.

Mr. Donald noted that there was no discussion of feed-in tariffs (FIT) in either Mr. Campbell's or Mr. Young's updates. He said he was concerned that if the next FIT procurement comes after the LRP, a span of more than two years would separate FIT procurements. Such inconsistent scheduling creates difficulties for proponents in this area. Mr. Donald also noted the lack of any solar power initiatives among the many priorities identified in IESO's business plan. Mr. Bentz echoed the need for predictability and transparency.

Ms. Brenda Marshall said there is a strong feeling in the generator community that there has been a lack of consultation in the LRP process. The last meaningful conversation happened on December 2, which resulted in a good list of priorities, but collaborative work between stakeholders and OPA never happened. Many of these issues should be dealt with in an iterative fashion. Ms. Marshall said there is concern among NUG operators that in a time of surplus capacity in the market, IESO might see terminating their contracts as a way to cut costs on the backs of NUG facilities. However, longer term periods should be considered as eliminating them can have unwanted consequences for the communities in which they are located, resulting in short-term wins at the expense of the long-term benefits those facilities provide. She said having a capacity auction for short-term contracts only when prices are low and then, when more capacity is needed, accepting only long-term contracts is not a fair outcome. Regarding effective separation assurance, a number of larger issues must be dealt with having to do with the increasing scope of IESO's mandate. She said the ground rules need to be clear from the start.

Ms. Helbronner asked what would happen with the feedback SAC members were providing at this session. Mr. Young said IESO's Board and management are present and taking note of the comments by SAC members. IESO will publish its priorities and, as work progresses on the 2016–18 business plan, management will evaluate how well SAC's feedback has been addressed. Mr. Bentz said he believes IESO management is sincere in its attempt to incorporate feedback from its stakeholders. He said it will be important for SAC to keep track of developments in this area.

Agenda Item No. 4: Draft IESO Business Plan for 2015 – Kimberly Marshall

Ms. Kimberly 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 from OPA SAC

Noting that typically in the period after a merger, transitional costs reduce savings, Mr. Mace asked whether stakeholders should expect to see greater savings in the coming years, or whether the predicted \$3.5 million is close to the maximum. Ms. Marshall said a 2.8% savings is significant for IESO and the task ahead is to find more efficiencies while maintaining operations.

Ms. Cooke applauded IESO's focus on integration but advised that its long-term business plan should be underpinned by a corporate strategy, which in turn should form the basis for performance measures. She said those measurements should be enriched with substantive metrics.

Mr. Bentz asked what IESO's objectives are for regional planning activities and integrated solutions with LDCs for this year and the longer term. IESO VP Planning, Law and Aboriginal Relations Michael Lyle said the organization has to deliver on seven integrated resource plans by the end of April. The primary objective is to effect changes to the regional process, through formalization of Ontario Energy Board codes and licences, that will capitalize on opportunities for more value-added solutions by having transmitters and LDCs work together.

Mr. Bentz asked how this would affect policy decisions and initiatives that IESO may take and whether these would be province-wide programs or taken on a case-by-case basis. Mr. Lyle said

it would be an iterative process; they would not take 21 regional plans and add them together to be a single plan for the province. Regional plans will focus on the individual needs of the different regions. Long-term planning for municipalities and LDCs will focus more on understanding how local communities wish to see their needs met. Over time, the priorities identified in these discussions will influence the overall direction for the province.

Mr. Lupton suggested IESO take a step back after the first six or seven regional plans are released and ask questions about where the gaps are in communication and evaluate the plans in light of each region's economic aspirations. Mr. Lyle said IESO plans to keep the dialogue going with each region after a plan is delivered.

Commenting that IESO has been independent and OPA has been government-directed, Mr. Donald, asked whether the company's plan to procure aligns with a policy direction from the Ministry of Energy. Mr. Young said IESO is in discussions with the ministry about the business plan, but there has not yet been a specific directive regarding procurement.

Mr. Bentz said 70 projects is not an unusually high number for an organization post-merger. However, for an organization that now has such disparate functions, it will be difficult to align all these initiatives with the corporate strategy. He asked how IESO will achieve that alignment. Ms. Marshall said management is spending a lot of time on that topic. The challenge is to keep operations running smoothly while refining the corporate strategy. The first step in alignment is for executives from both sides to learn each other's business, which involves a huge internal communication effort. Mr. Young said he expects and encourages SAC members to hold IESO accountable for strategic alignment of its initiatives.

Mr. Bentz said that during a break an audience member asked him why there are two SACs and not one. Mr. Young said IESO plans to move to a single SAC, most likely during 2015, but during the merger process it was decided to give that process time in order to get it right and to continue to use the two existing, well-functioning bodies during the transition to one SAC.

Agenda Item No. 5: 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 OPA SAC

Mr. Lupton said designers of data access projects need to understand the value proposition to customers. For example, without relational information, such as usage history, neighbours' and clients' usage, what good is the data to a residential consumer? He agreed that combined data from a regional and provincial perspective is important for understanding future capacity needs, and certain client groups have a big need for it, but each segment of the market will have to understand the usefulness of this.

Ms. Cooke said MDM/R contains an impressive amount of data but is missing an important element: unstructured data—what people think, customer satisfaction, corporate reputation, social listening, and benchmarking.

Ms. Marshall encouraged IESO to put as few limits as possible on who gets access to the data and the purposes they can use it for. Opening up the data will allow retailers to offer products that give consumers more cost certainty and help them find opportunities for cost savings.

Mr. Mace said he would like to hear more about the business case, how it works, how much it costs, and who will pay for it. He said users have already been paying a premium for the provincial MDM/R program.

Mr. Tomczak said the Data Access Foundation leverages data sets that exist today and uses them to create more value for a number of purposes. The IESO has had to turn away third parties who wanted access to that information. As for the provincial business case project, they are considering using IESO's data for a wide range of uses and augmenting it with other data sets to create even more value. The MDM/R Data Access Foundation is a cost effective plan to leverage what exists today and unlock some value for analysis.

Ms. Girvan asked for a practical example of this combined data. Mr. Tomczak described a costly and labour-intensive OPA time-of-use study, compared to a more recent, similar analysis using the merged data that took only weeks. The foundation project unlocks the potential of the centralized repository of MDM/R data by filling in bits of crucial information.

Mr. Bentz said he assumed third parties would not have access to data down to the individual level, just aggregated data sets. Also, noting that MDM/R data does not contain time-of-use data for large users (above 50 kilowatts), he asked how this data could be used for system planning, since large users represent over a third of the load. Mr. Tomczak said the province's business case project is exploring how to get a province-wide look at that sector, but MDM/R and the foundation project are focused on residential and small general-service customers. As for third-party access, the working groups and stakeholder engagement will help define the rules to protect consumers' privacy. As well, the Office of the Privacy Commissioner and security and privacy experts will be consulted.

Ms. Marshall said the data design for the MDM/R Data Foundation should ensure compatibility with small and large users. The data for the industrial and commercial sector should perhaps be aggregated using standard industrial classification codes. Residential users should be grouped as houses or multi-family units, since there are significant differences in how they use energy.

Agenda Item No. 6: Stakeholder Priorities for the IESO for 2016 to 2018

Mr. Young said IESO will synthesize the feedback it hears from SAC members and those in the audience to create a list of priorities that it will then post for comment.

Mr. Lupton said for municipal and larger commercial users the top priority is rising energy prices. The second priority is how to maintain the resiliency and reliability of the infrastructure without incurring debt. The market is heading to a point where more customers will find it feasible to go off the grid. The third and final priority is developing the conservation framework. Of particular importance to municipalities is IESO's long-term commitment to conservation programs. Conservation initiatives can take three years for consumers to put together, so a municipality's business case for capital infrastructure funding requires consistency and stability in program development, design and implementation. Also, participants in these programs need to know that they won't be left behind if they miss one step.

Ms. Girvan said effective management of the conservation portfolio will demonstrate the value to consumers of the \$2.2 billion budgeted for this area. It will be important to be flexible when something is not working. IESO should aim to make the regional process meaningful to customers and view it as a useful tool in refining its plans for the province.

Mr. Gray said people in the environmentalist community are looking toward the 2016 release of the LTEP as an opportunity for the two organizations, now under one roof, to update and improve their scenario planning for renewable energy procurement. Because it is a publicly owned system Ontario can avoid the worst consequences of people opting out of the grid. There should also be discussion of how best to decommission the Pickering Nuclear Generating Station, and increasing alternative generating capacity.

Ms. Helbronner said the focus should be on getting current contracted projects built. Water power projects in particular are subject to a unique regulatory regime with extended timelines. Of the projects contracted since 2010, fewer than five have reached commercial operation. Next, IESO should provide steady and sustained procurement opportunities. Finally, expanding water power production in northern Ontario is an opportunity for partnerships with Aboriginal

communities and coordination between generators and transmitters, as new transmission lines will be needed to reach these resources.

Mr. Timm asked the IESO to further develop the stakeholder process for rules and regulations governing generation. Entering into LTEP review, the emphasis should be on what the system mix looks like with hydroelectric imports, nuclear de-conditioning or refurbishment, and its impact on renewable energy sources. IESO must be more transparent in its consultations with stakeholders, particularly in how it addresses and considers this feedback in the development of its programs and rules.

Ms. Marshall said she had a number of priorities to share. She noted that governance is absent from IESO's 2015 business plan, especially as it relates to market rule changes, internal and external oversight, and procedures for finding resolution beyond IESO when problems arise. The mandate of IESO may now be too large for SAC; it may make sense to divide different mandates into different stakeholder processes. Many of the initiatives in the business plan are focused on cutting costs, which seems to be a euphemism for transferring value away from generators. Generators want the focus to be on long-term efficiency, which is in everyone's interests. The lack of discussion of climate change was notable. Having already taken coal out of the supply mix, generators are concerned that they will bear an additional burden rather than the burden being shared equitably among sectors. IESO needs to reflect on what constitutes effective stakeholder engagement with its procurement and contract activities. There needs to be a combination of high-level information updates for all interested parties along with sharing the kind of detailed, expert-driven information necessary to put together contracts before agreements are signed.

Ms. Cooke said planning for generation and transmission should happen in tandem. She said just-in-time delivery for transmission is not good; it can be costly and often backfires. Hydro One wants to take steps to have transmission corridors in place before they are needed or conceived of in a region's planning process.

Mr. Donald called for consistency and predictability in the procurement of new generation. Rules for FIT should be more transparent and less complicated. IESO has to investigate why participation in solar programs has fallen off in the residential sector, especially when the opposite is true in the U.S. market. The grid should be opened up to allow for greater interconnection and more renewable energy generation.

Mr. Mace said that from a distributor perspective, regional planning in LTEP should balance cost considerations with meaningful stakeholder engagement and data analysis. Conservation needs to be effectively managed, meaning timely remediation of problems as they occur. In the years after the merger, it will be important for IESO to focus on long-term synergies and effectiveness and build those into its long-term plans as well.

Looking at the macro level, Mr. Bentz said IESO, as a new entity, is responsible for effectively dispatching procurement in an environment of flat demand, rising electricity prices, new technologies, and changing consumer preferences. How IESO controlled the grid in the past will not work in the future. Managing expectations for procurement will be important. Everyone wants an environmentally responsible supply mix, but less demand means the procurement rate will drop. Explaining this to the ratepayers will require transparency and predictability. The growing disparity between the Hourly Ontario Energy Price (HOEP) and the contracted price

that gives rise to the global adjustment will become a bigger problem. IESO needs to find pricing mechanisms to close the gap and give consumers better choices. Owing to changes on the low voltage side of the distribution system, the grid can no longer be managed solely from the high voltage side. It is time to reset and re-envision what procurement and system operations will look like in Ontario in the next decade.

General stakeholder questions and remarks

A stakeholder representing over 37,000 farm businesses, said farmers cannot move their farms, but the decisions made by IESO will move the businesses farmers rely on that make this province great. Farmers are IESO's number one economic driver. For OFA, hydro rates are the top priority. Cost must be considered when improving the system's infrastructure; some hydro poles are extremely old. Farmers can provide solar, natural gas, and wind power, so OFA hopes to find LDCs receptive to building a more distributed network. Regarding climate change, OFA favours a long-term cap and trade plan with offsets, rather than a carbon tax. IESO's decisions will determine whether farmers remain on grid or use "waste" to go off grid. He said it is time for IESO to cash in its carbon credits and take its FIT contracts to market.

Another stakeholder said IESO should spend the \$2.2 billion in its conservation fund by inviting bids for proposals that can deliver the most kilowatt-hours saved on a reasonably proven basis. For example, many customers have implemented combined heat and power projects (CHP), and a host of organizations would like to but are prevented from doing so. The rules should be changed to allow for increased generation from CHP. He noted that imported power, though a significant source of electricity, is not mentioned in IESO's plans. He suggested that time-of-use billing be added to distribution, transmission, and the global adjustment.

Agenda Item No. 7: Other Business

Referring to the framework for assessing NUGs, Ms. Marshall asked whether IESO would consider regional supply impacts or the value added to the distribution and transmission system by having generators located in places where it would be hard to build today. She asked whether NUGs will be assessed on a facility-by-facility basis, whether those assessments will be made available to the generators and the public, and how generators would be able to provide input and receive feedback on that.

Ms. Butler said IESO management envisions a process that will include stakeholder feedback in its decisions. However, no decision has been made on how the review will be conducted.

Ms. Marshall said IESO must address specifically the impact of the capacity deal with Quebec on market rules, HOEP, and other generators.

Agenda Item No. 8: Adjourn

Mr. Bentz adjourned the meeting.