

Draft Minutes of Meeting

Date held: September 30, 2014	Time held: 9:00 am	Location held: Minto Boardroom
Invited/Attended:	Constituency Represented or Company Name:	Attendance Status: (A)ttended; (R)egrets
Panel Members		
Edith Chin	Natural Gas Industry Rep.	A
Shelley Cunningham	Distributor Representative	A
Luis Marti	Transmitter Representative	A
Paul Huebener	Financial Services Representative	A
Brian Kelly	Generator Representative	A
Robert Lake	Residential Consumers Rep.	A
Martin Longlade	Industrial Consumers Rep.	A (via teleconference)
Kazi Marouf	Distributor Representative	A
Brian Rivard	IESO Representative	A
Peter Rowles	Commercial Consumers Rep.	A
Yannick Venes	Retailers and Wholesalers Rep.	A
Bill Wilbur	Generator Representative	A
Mark Wilson	Chair	A
Stakeholder Observers		
Muhammed Ali	Hydro One	A
Jeannette Briggs	IESO	A
Gordon Drake	IESO	A
Susan Harrison	IESO	A
Shane Litvack	IESO	A
David Peterson	OPG	A
Doug Taylor	IESO	A
Mark Tinkler	Customized Energy Solutions	A
Candice Trickey	IESO	A
Gabriel Villegas	Bruce Power	A
Secretariat		
Jo Chung	IESO	A
John Rattray	IESO	A

All meeting material will be posted on the IESO web site at:

http://www.ieso.ca/imoweb/amendments/tp_meetings.asp

Agenda Item 1: Administration

Agenda:

The agenda was approved.

Minutes and Action Items:

The Chair asked the Panel for any comments on the draft meeting minutes from the August 26, 2014, TP 283 meeting.

A generator representative asked about the IESO staff note on page 8 of 9 which states that recoveries from Demand Response (DR) audits would not flow through the IESO adjustment account, and asked if any other audit recoveries would flow into the IESO adjustment account. IESO staff responded that on a go-forward basis, audits such as the generator cost guarantee audits recoveries will not flow through the adjustment account. The generator representative asked if current, ongoing audit recoveries would flow through the adjustment account. IESO staff confirmed this would be the case.

No further comments were received and the Panel unanimously approved the draft TP 283 minutes.

The Chair noted that there were currently no open action items from the Technical Panel.

The Chair introduced Luis Marti from Hydro One as the new transmitter representative and welcomed him to the Technical Panel.

Agenda Item 2: Stakeholder Engagement Update

The purpose of this discussion was to inform the Panel of any status updates to current IESO stakeholder engagements and to provide information to the Panel on any recent or forthcoming Stakeholder Advisory Committee (SAC) meetings:

- SAC – the next SAC meeting will be held on October 22nd and the agenda, likely to include the Technical Panel review, will be posted on the IESO website in advance of the meeting.
- Capacity Auction – the first meeting of the capacity auction stakeholder engagement will take place on October 1st and the IESO invites stakeholders to provide input. The capacity auction will help Ontario meet the future resource needs of the electricity system.
- Demand Response Auction – the first meeting of the DR auction stakeholder engagement will be held after the completion of the capacity auction stakeholder engagement on October 1st. The IESO invites stakeholder input on the design, development and implementation of a DR auction in Ontario. The DR auction will be implemented in advance of the capacity auction.
- Reports Site Refresh Working Group – the first meeting will be held on October 7th to discuss changes, develop a workplan and timeline to refresh the IESO reports site. This project will refresh the back-end technologies used to publish reports and will introduce new user based interfaces to retrieve reports. The IESO is seeking input from stakeholders on the information and usability of the reports published by the IESO.
- Review of Generation Guarantee Programs, SE-111 – the latest session was held Friday, September 26th where the IESO presented analysis which looked for evidence of the over-commitment of generators under the RT-GCG program to meet Ontario demand. The IESO

closed eleven of the twelve original discussion items. The IESO discussed proposed alternatives to address ramp-down constrained management settlement credits (CSMC) payments with a market rule based solution, this was the only remaining discussion item. Pending the completion of discussions related to ramp-down CMSC the IESO expects market rule amendments could be brought to the Technical Panel as early as December.

- Market Operations Information Session – this session, to be held on November 5th, will cover gas-electric coordination, the 2015 spring outage plan, a summer operation review and a winter operation preview.

A generator representative asked what reports would be within the scope of the reports site refresh working group. IESO staff responded that the IESO will be refreshing its tool that publishes reports for stakeholders and that the IESO is seeking stakeholder input to gauge the utilization of the different IESO reports and feedback as to how the IESO can enhance those reports for stakeholder use.

Agenda Item 3: Proposed 2015 Technical Panel Meeting Dates

The purpose of this discussion was to review the proposed Technical Panel meeting dates for 2015 (refer to IESOTP 283-3). IESO staff stated that the criteria used for the development of the 2015 Panel schedule:

- Where possible, Panel meetings should not be scheduled in the same week as either IESO Board or SAC meetings;
- Panel meeting should not be scheduled on the Tuesday following a holiday weekend; and
- Panel meetings are preferred to be scheduled 5 weeks apart.

IESO staff requested Panel members to identify any significant conflicts with the proposed schedule by October 7th. The final schedule will be presented in advance of the November Panel meeting.

Agenda Item 4: Demand Response Pilot Programs

MR-00410: Demand Response Pilot Programs	
IESO Support Staff	Gordon Drake & Josh Duru
Stakeholder Plan	Demand Response Working Group (DRWG) and Public Sessions

The purpose of this discussion was to review draft amendment proposal MR-00410: Demand Response Pilot Programs, (refer to documents IESOTP 283-4a, 4b and 4c) and to request that the Panel vote to recommend the draft amendment proposals to the IESO Board for approval.

The Panel unanimously recommended MR-00410-R00-R01 for IESO Board approval.

Agenda Item 5: Demand Response – Capacity Based Demand Response

MR-00408: Capacity Based Demand Response	
IESO Support Staff	Gordon Drake & Josh Duru
Stakeholder Plan	Demand Response Working Group (DRWG) and Public Sessions

The purpose of this discussion was to review draft amendment proposal MR-00408: Capacity Based Demand Response, (refer to documents IESOTP 283-5a, 5b and 5c) and to request that the Panel vote to recommend the draft amendment proposals to the IESO Board for approval.

The financial services representative asked what the IESO considers an acceptable major bond rating agency that is identified in proposed new section 5A.4.1.1 of Chapter 2. IESO staff responded that the major bond rating agencies are posted on the IESO website and include Standard and Poors, Moodys, and Dominion Bond Rating Services. Another IESO staff added that the proposed market rules are consistent with the prudential support obligations placed on market participants in existing section 5.7.2 of Chapter 2.

The financial services representative asked what would happen if the financial institutions rating changed from an A to A- and if this would trigger an immediate default. IESO staff responded that he would follow up with the IESO's finance department to confirm the impact of a change from an A to A- credit rating.

IESO staff note: *A downgrade from an A to an A- rating for a financial institution issuing a letter of credit on behalf of a demand response market participant will result in an event of default for the participant, under proposed section 6.3.1.11 of Chapter 3 (ceases to satisfy any material requirement imposed upon it as a condition of its authorization to participate in the IESO-administered markets or to cause or permit electricity to be conveyed into, through or out of the IESO-controlled grid.). A replacement letter of credit from an alternate Schedule bank with a minimum long-term credit rating of "A" must be provided within 2 business days (as required under proposed section 5A.2.4).*

The financial services representative asked what the IESO intended with its use of the term 'negative pledge' in proposed new section 5A.4.2.5 of Chapter 2. IESO staff responded that the reference to a negative pledge was likely intended to allow the IESO first rights to draw on a participant's credit in the event of a draw on a letter of credit, to ensure the IESO's rights to a draw are not impeded by other creditors. IESO staff stated he would confirm the intent of the term with the IESO's finance department.

IESO staff note: *A negative pledge is used to ensure a demand response market participant does not overextend their credit capacity by diminishing the credit amount committed to the IESO or by establishing priorities over and above the IESO's claim.*

The financial services representative asked if the move to a capacity based DR program indicated a move away from bilateral contracts for DR. IESO staff responded that the IESO is not looking to have bilateral contracts signed outside of these proposed rule amendments for a capacity based DR.

The Chair asked the financial services representative and the Panel if these comments and the IESO commitment to follow up with its finance department would detract the members from wanting to complete the vote to recommend the amendment to the IESO Board of Directors. The financial representative responded that he does believe there is some clarity that could be added to the security obligations, while noting the challenge of moving away from contracts to a market rules framework, but that his comments were not indicating that the proposed rules should not be moving forward. The representative agreed that the rules could be reviewed from a finance perspective at a later time.

A distributor representative stated that the rules should move forward but if more clarity is required the IESO should assess all prudential and security requirements and propose holistic changes.

The Chair stated that the IESO would move forward and request the Panel to vote to recommend the amendment to the IESO Board and stated that the IESO will provide feedback to the Panel on 2 items related to DR security obligations.

The industrial consumer representative asked if the reference to section 4.7I in proposed new section 4.8.3.2 of Chapter 9 was the correct reference, as he noted section 4.7H was the new capacity based DR section included as part of MR-00408-R02. IESO staff responded that it was the correct reference and that section 4.7I was a reference to the DR pilot program market rules included in MR-00410-R01.

In conclusion the Chair requested the Panel vote to recommend MR-00408-R00-R04 to the IESO Board for approval. The Panel unanimously recommended MR-00408-R00-R04 for IESO Board approval.

Agenda Item 6: Allocation of IESO Adjustment Account

MR-00411: Allocation of IESO Adjustment Account	
IESO Support Staff	Jeannette Briggs & Brennan Louw
Stakeholder Plan	N/A

The purpose of this discussion was to seek the Panel's recommendation to post draft amendment proposal, MR-00411-R00 for stakeholder comment for a three week period ending October 23, 2014 (refer to document IESOTP 283-6a & 6b).

A generator representative asked where this proposed rule amendment originated from. IESO staff responded that the IESO was reviewing this section of the market rules, the ability to allocate funds from the adjustment account, and realized that the IESO never expected to exercise the current rules. The purpose of the amendment is to allow the IESO Board to distribute the funds back to the market in a more timely and direct manner than is allowed under the current rules.

The generator representative asked about the value of funds flowing through the account. IESO staff responded that in the past, the IESO has annually used the funds for market participant education and that the balance in the account typically ranges between \$0.5 million and \$1 million.

The generator representative asked if the proposed distribution back to market participants would be transparent with respect to where the funds are coming from. IESO staff responded that the IESO would not violate any market participant confidentiality rights but that the current market rule is clear where money within the adjustment account comes from. IESO staff continued to note that it is not likely to be specific on where the money that is being distributed has come from, but that the IESO would be indicating that there was a distribution from the adjustment account that would be added as a specific line item on a market participant's invoice.

In conclusion, the Chair asked for the Panel's vote to post MR-00411-R00 for stakeholder comment. The Panel unanimously agreed to post MR-00411-R00 for stakeholder comment.

Agenda Item 7: Technical Panel Review

The purpose of this discussion was to allow Panel members to provide the IESO with comments on the draft of the Technical Panel review conducted by Power Advisory LLC and C2C Strategies (refer to IESOTP 283 7a & 7b). The IESO intends to provide the Panel's feedback to the IESO Board during their November 13th meeting.

The industrial consumer representative stated that he would like to bring the draft report back to members of his constituency and receive their feedback and suggested that Panel members be allowed to provide written comments. The Chair noted the Panel's preference to be able to submit written comments and suggested an open discussion on the Technical Panel's views of the draft report would inform the IESO and the Panel in advance of any written comments.

A generator representative commented that one of the issues in the past related to the inability of interested stakeholders to directly present their ideas to the Technical Panel.

The industrial consumer representative asked about Appendix 2: Technical Panel Review Interviewees By Group, and asked if any current Technical Panel members had been interviewed individually. The Chair responded that the consultants held the closed door group session with the Panel rather than interviewing the Panel members individually.

The residential consumer representative requested that the Panel be provided more detail on what is meant by the suggestion that members be more actively involved in stakeholder engagement sessions.

The Chair stated that the IESO was not attempting to defend or respond to questions on the draft report but to gather member feedback to pass onto the IESO Board.

The industrial consumer representative commented on the proposed restructuring of the composition of the Technical Panel and asked whether this proposal was to move away from a market participant based composition to a market function basis (e.g. demand response). The representative indicated that the proposed restructuring was a considerable deviation of the current Panel make-up. The representative believes that the composition of the Panel should strike a balance between the users who are paying for electricity services and those that are participating in the market to make a profit, noting that distributors and transmitters should be neutral in most situations. The representative does not believe that the proposed composition represents such a balance.

The commercial consumer representative also commented on the proposed restructuring of the Panel, noting that 'high-volume' or 'low-volume' constituents are currently being served by the existing residential, commercial consumers, and industrial consumers representatives. He believed it would be difficult to find individuals in the low and high-volume constituencies with a broader range of knowledge. The representative also stated that there was no specific mention of expertise on DR or capacity markets, which could straddle between the three categories.

The residential consumer agreed with comments related to the proposed restructuring of the Panel stating that the proposed composition only has two potential members who are paying for electricity services. The representative continued to state that based on his experience, Ontario's commitment to conservation and demand management is linked with government and ministry direction, and can

change with government. From a long-term Panel composition perspective, he questioned whether having a conservation and demand management representative made sense.

A distributor representative questioned the need for two conservation and demand management representatives in the proposed composition of the Panel, and questioned if the Panel would have the right expertise.

A distributor representative stated that he believed by reducing the number of distributor representatives from two to one, that distributors would be under represented. He noted that small to medium sized distributors are different from large distributors.

The commercial consumer representative questioned where the draft report was headed with respect to statements that urged Panel members to understand that the voting results are not meant to represent the outcome of a democratic process and noted that this was his belief when voting. The representative stated that a Panel member's vote is their best opinion on what the best potential outcome will be and was unsure of the end goal of that particular statement.

The industrial consumer representative commented on the recommendation that Panel members be more involved in IESO stakeholder engagement stating it provides the impression that Panel members don't follow, or ignore stakeholder sessions which is not the case. The representative objected to the impression provided by this recommendation and noted the physical and time limitations of attending stakeholder sessions.

The retailer and wholesaler representative stated that there are some good suggestions within the draft report on ways to improve efficiency of the process, but that overall he was underwhelmed by the draft report. The notion that there is a lack of expertise on the current Panel which then leads to the recommendation to restructure the composition of the Panel seems to be unsubstantiated, unfair, and disrespectful to the IESO Board and the process gone through to appoint current Panel members. The representative believes that the draft report does not attempt to explain its findings and noted specifically comments on the lack of expertise related to OPA contracts, which he believes is an invalid argument because OPA contracts are not public information. The IESO Board selected Panel members based on their expertise and field work, not based on knowledge of OPA contracts which was not a prerequisite for the position. The representative stated that if the recommendation was to move to a model in which the make-up of the Panel was institutionalized, by only selecting individuals with insider knowledge, then such a makeup would facilitate a true insiders market.

The retailers and wholesalers representative stated his belief that the current Panel has done a tremendous job at getting to the core of the issues and making balanced decisions based on the facts presented, without the need to get into all the finer contract details. Stating that there is a lack of expertise and not providing sufficient justification is disrespectful to the current Technical Panel. The representative believes that the draft report is suggesting that the current Technical Panel model does not work and that the recommended model would work better, even though the report does not justify why. The absence of justifications for certain recommendations is where the report fails. The representative also noted that the comparison to the Mid-west ISO's sub-committee was not a valid

comparison, as the work being done there has nothing to do with the type of work the Technical Panel performs.

The industrial consumer representative stated his agreement with the comments made by the retailer and wholesaler representative.

The natural gas representative commented on the recommendation suggesting Panel members should have more involvement in IESO stakeholder engagements, stating that the stakeholders attending those sessions will have much more at stake than a Panel member. The representative questioned whether this would create a scenario where Panel members would already have strong opinions and biases formed well in advance of a Technical Panel vote.

A generator representative stated that the one recommendation within the draft report that jumped out to him was the identification of a gap between what happens at the Stakeholder Advisory Committee (SAC) meetings and what happens at the Technical Panel. The representative indicated that it is unclear where some policy directions come from, which can result in policy debates at the Technical Panel. If the Technical Panel is to take policy directions from SAC, there needs to be a better understanding of how SAC determines policy.

The generator representative then asked what the IESO intended on doing with the draft report and what would be the process to make any of the suggested changes. The Chair responded that the IESO intends to take this feedback to the IESO Board but noting the upcoming IESO-OPA merger, stated that this is not likely to be the top priority of the new Board of Directors. The Chair responded that some of the changes could be implemented through administrative changes by the IESO but that other changes, such as the recommendation on composition and voting, would require changes to the IESO's Governance & Structure By-Law.

The natural gas representative asked when the IESO expects to have a new Board in place. IESO legal responded that the intention and expectation is that there will be a new IESO Board in place for January 1st, 2015.

In conclusion the Chair requested any written feedback on the Technical Panel Review by October 24th and indicated that the IESO will send out information as to where Panel members can forward those comments.

Agenda Item 8: Other Business

None.

Next Panel meeting: Tuesday, November 4, 2014

Action Item Summary				
#	Date	Action	Status	Comments
AI-283-1	30-Sep-14	The IESO will provide the Panel with clarity on the impact to a market participant if their financial institutions credit rating changes (i.e. change from A to A-).	Open	
AI-283-2	30-Sep-14	The IESO will provide the Panel with clarity on the intent of the term 'negative pledge' in Chapter 2, specifically as it relates to DR security requirements.	Open	