



OCTOBER 20, 2023

Evolution of Annual Planning Outlook and Annual Acquisition Report

Purpose of Today's Discussion

- Inform stakeholders on the status of the 2023 Annual Acquisition Report (AAR) and Annual Planning Outlook (APO) following recent policy announcements
- Share how feedback received following the [AAR engagement](#) in February 2023, will be reflected in the IESO's planning assessments
- Seek feedback to evolve the AAR and APO to better serve the needs of stakeholders and communities
- Introduce a new engagement that will speak to the continued evolution of the IESO's planning assessments



Annual Acquisition Report and Annual Planning Outlook

The IESO's Annual Planning Process

Process

1. Identify Needs and Opportunities



Vehicle

APO, quarterly Reliability Outlooks, Transmission Plans, P2D, DER Market Vision

2. Identify and Assess Potential Solutions*

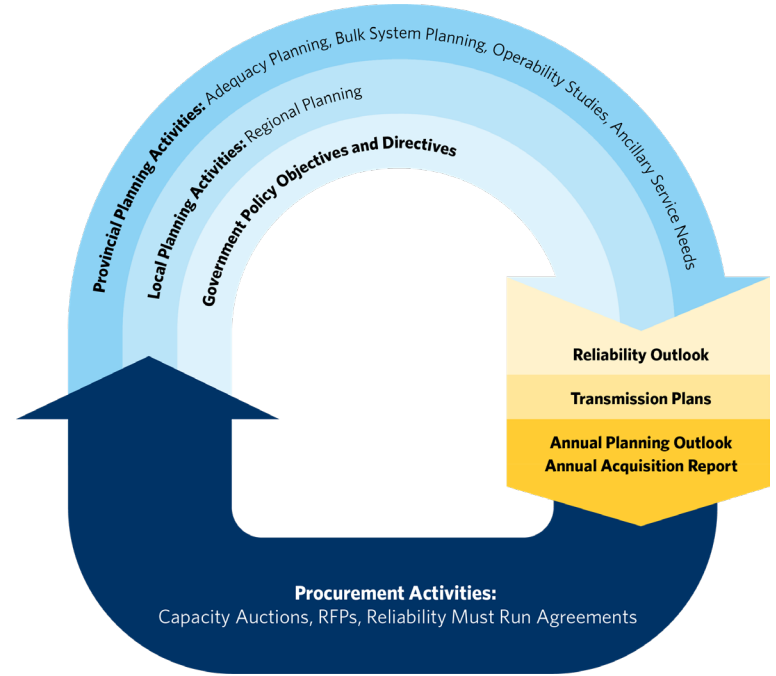


Annual Acquisition Report (AAR), Transmission Plans

3. Implement Solutions*



Procurement Engagement and Documents



*The Resource Adequacy Framework provides a suite of tools that can be leveraged to address needs

Annual Acquisition Report

- The AAR is typically published after the APO; allowing time for a discrete set of actions to be developed, based on needs identified in the APO and considering risks and uncertainties that could materialize
- Policy announcements and changes in the sector have made both the timing of the reports and the content challenging to coordinate
 - *On July 10, the provincial government published the Powering Ontario's Growth report (including corresponding [directives to the IESO](#)) and on August 10 the federal government released draft Clean Electricity Regulations (CER)*
- To provide a more complete picture of future reliability needs and planned actions to meet these needs, the IESO will consider the recent policy announcements in its assessment of needs and will integrate the AAR into the upcoming APO

Annual Planning Outlook

- The APO will be published in Q1 2024, to incorporate the recent provincial and federal government announcements
- The report will continue to cover topics included in previous APOs, and the IESO proposes including information on actions to meet Ontario's needs:
 - This would include actions underway to meet reliability needs and planned actions that will be pursued over the coming years (similar to the AAR); this is intended to provide the sector with information to help inform investment decisions about existing and future assets and is a first step toward integrating APO and AAR content. In addition, operability, resiliency and risk and uncertainties will be included
- The IESO intends to evolve its planning assessments for subsequent reports, informed by the feedback provided today and through future engagements



Feedback from February 2023 AAR Engagement

February 2023 AAR Stakeholder Engagement

- The IESO engaged with stakeholders to solicit input on various uncertainties that could impact the future participation of existing resources, which could impact Ontario's supply
- The purpose of the engagement was to help the IESO assess potential risks to future resource adequacy and inform inputs to the analysis undertaken for the 2023 AAR, with the potential to include an assumption that accounted for market exit
- The IESO received input from the sector indicating uncertainties that may lead to some resources participating differently or exiting the market

Stakeholder Feedback – Key Themes

Several factors may impact asset owner decisions on future participation of existing facilities:

Asset Owner Considerations

- Significant capital investments are needed to extend asset life; assurance of a cost recovery mechanism is needed to ensure revenue adequacy
- Competition for capital investments for opportunities outside of Ontario
- Corporate ESG mandates and impact on decisions, specifically for gas facilities

- *ESG – Environmental, social, and corporate governance*
- *MRP – Market Renewal Project*
- *CER – Clean Electricity Regulations*

External Factors

- Technological readiness and investment in re-powering (hydrogen, renewable natural gas)
- Ability to understand market revenue opportunities post-MRP and the impact on cost recovery
- Uncertainty with the CER and impacts on future participation of gas fleet & fuel security
- Municipal support; Necessary transmission for upgrades and re-powered facilities

Incorporating Stakeholder Feedback

- In recognizing the potential risk to future resource adequacy as a result of factors that may impact participation of existing resources (including aging of assets and policy and regulatory uncertainty) and informed by stakeholder input, the IESO intends to consider in its analysis that a portion of resources exit the market
- As the electricity sector evolves and more information becomes available, the IESO will continue to assess and incorporate potential risks and uncertainties in its analysis to determine the resulting impact on reliability needs



Evolution of Planning Products

Evolution of the IESO's Planning Products

- The APO and AAR have overlapping content on Ontario's resource adequacy needs and locational capacity needs; in the past, this approach allowed the AAR to build on the needs identified in the APO that informed the set of planned actions
- With information changing rapidly in the electricity sector and to support the system's ongoing transformation, there is an opportunity to evolve IESO planning products, streamline the content and better align information release as it becomes available
- The IESO will further engage in 2024 to better understand how information is being used by the sector and determine how best to structure and deliver information to serve the needs of users; with this new engagement, the ongoing AAR engagement will be closed

Evolution of the APO and AAR - Request for Feedback

Questions for consideration:

- What sections of the APO and AAR are most helpful and how do you use the information?
- Where do you see additional redundancy/overlap in the existing products?
- What frequency and/or time of year is information needed to make informed and timely investment decisions with respect to existing or new assets?
- What information specifically is needed to make these decisions?
- How can the IESO enhance and evolve the APO and the AAR?

Next Steps

Anticipated Timing Activity

November	Engagement session to provide information on: <ul style="list-style-type: none">• Overview of upcoming system needs<ul style="list-style-type: none">• Demand and supply scenarios• Capacity and energy adequacy outlook
December	Feedback due on evolution of the APO/AAR
Q1 2024	IESO responses to feedback on evolution of APO/AAR
Q1 2024	APO Release and engagement on evolution of planning products

Thank You

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