

Memorandum

To: Stakeholder Advisory Committee

From: Jordan Penic, Senior Manager, Engagement and Indigenous Relations

Date: August 4, 2021

Re: IESO Business Update – Engagement Update

The following provides an update to members of the Stakeholder Advisory Committee (SAC) on recent engagement activities. A more general update on each of the active engagements and working/groups committees is included in the companion update document.

Sector Evolution

The IESO continues to focus on innovation and enabling the increased participation of resources through a suite of engagement initiatives. The Enabling Resources Program will produce an integrated work plan that will outline the sequencing, timing and scope of activities to be undertaken by the IESO to enable existing electricity resources to provide electricity system services. Following the initial engagement meeting, stakeholder feedback submissions on Enabling Resources indicated broad support for the proposed prioritization approach.

Projects under the Enabling Resources umbrella are being launched to realize priority resource enablement opportunities, which to date include the Hybrid Integration Project, as well as the DER Roadmap engagement. Within the DER Roadmap, the IESO has created a structure for increased collaboration with the Ontario Energy Board (OEB) on two fronts: (1) collaboration on general DER integration efforts through co-hosted engagement meetings to take place every six months; as well as, (2) a joint targeted call for proposals through the Grid Innovation Fund and the OEB's Innovation Sandbox. The need for increased collaboration with OEB has been a consistent theme in stakeholder feedback recently, and these initial efforts have been well received. Further, within the DER Roadmap, at the July engagement days, the IESO and Alectra presented enhancements for Year 2 of the York Region Non-Wires Alternatives Demonstration Project.

There is a lot of ongoing work, with good progress being made across multiple fronts, and good engagement levels amongst stakeholders. Feedback received has generally been supportive of the efforts, with a desire to move faster if possible and to align with upcoming procurements and acquisition files. Building on the various innovation engagements, the June Summit-Lite was focused primarily on DERs and provided a forward-looking perspective on where the

market is going, and what the various players can do as it evolves. The Summit-Lite was attended by more than 500 stakeholders and community members.

Industrial Energy Efficiency Program

The first session for this engagement was well attended, with a variety of stakeholders and initial feedback suggests stakeholders are generally aligned with most of the parameters identified, as well as aggregation of facilities, incentive stacking and lowering the threshold to allow for smaller projects. Stakeholders did ask for clarity on what types of resources and technologies would be eligible, including generation projects. The IESO response to stakeholder feedback document will be posted in August.

Indigenous Energy Efficiency Program

IESO held an engagement webinar in July to present to communities the new energy efficiency program offering: *First Nation Community Buildings Retrofit Program*. The program design was informed by two previous engagement meetings, as well as an engagement survey of First Nation communities conducted in Fall of 2020. Most of the discussion focused on clarification of program details, overlap with other programs, and timing. The IESO will be back in touch with communities once the documents and application materials are posted later this summer to initiate the launch of the program.

Operations

Market Renewal Program

Implementation of the Market Renewal Program (MRP) is well underway with stakeholders actively engaged in a number of activities. The IESO's Board of Directors conditionally approved the Market Entry and Prudential Security batch of market rules and market manuals in June, and the IESO will publish the Market Power Mitigation (MPM) batch for stakeholder review in August. The MPM batch provides further details on topics that the IESO has discussed with stakeholders this year, including the Independent Review Process, constrained area designations, and the methodologies for determining reference levels and reference quantities. Market participants have raised a number of clarification questions on reference levels and quantities through the one-on-one consultations, such as how to complete specific workbook sections and the types of supporting documentation that should be provided. The IESO and market participants are working collaboratively to address those questions as they arise and the IESO is documenting its responses to frequently asked questions in the workbook instructions.

In parallel, the IESO has begun engaging stakeholders on testing, training, and market participant readiness activities. The first bi-monthly meeting of the Technical Advisory Group was held in June to discuss the scope of MRP tool changes, testing timelines, and testing activities. The discussion was very productive, with members providing valuable input on sandbox testing and reports, and raising questions around new market power mitigation processes and procedures. The IESO will update stakeholders on discussions held at the Technical Advisory Group, as well as implementation plans for the replacement of the IESO's Settlement System, in August.

Resource Acquisition

Resource Adequacy

Stakeholders continue to be highly engaged in the Resource Adequacy initiative, with interest in both the future of the Capacity Auction and the Annual Acquisition Report (AAR).

A major topic of recent discussion on the capacity auction is the transition from an installed capacity (ICAP) to an unforced capacity (UCAP) framework for determining qualified capacity. The IESO kicked off engagement on this topic in May with an overview of the approach and principles for the framework, discussion of the capacity auction product itself, and the proposed UCAP methodology for each resource type. Stakeholders had a number of questions on the energy deliverability requirement of up to four hours, which has been in place for some time, and the potential for that requirement to increase to at least four hours in the mid-term RFP. Conversations on the specific UCAP methodologies for each resource type continued at five technology-specific meetings in June. Through those meetings and written feedback, stakeholders submitted a number of clarification questions and suggested revisions to the methodologies, such as considering historical data for dispatchable hydroelectric and thermal resources and using a 'top 200 hours' approach to better reflect availability at peak. In July the IESO provided an update on how it has incorporated stakeholder feedback into the methodologies and walked through an example of how the Performance Adjustment Factor will be used for hourly demand response resources. There were a number of questions raised around the how to apply the UCAP formula to hourly demand response resources and further one-on-one discussions with stakeholders on this topic are underway.

Stakeholders have been eager for more information on the scope and contents of the AAR, including details for specific resource types. The IESO published the AAR on July 19th, welcomes stakeholders' review of the full report and will seek feedback and suggestions for improvements to the document later this year. In response to stakeholder feedback, the IESO also published an information guide in July to help delineate between the Resource Adequacy Framework, the AAR, and mechanism-specific documents to clarify where specific details can be found.

Overall, the AAR has been positively received and stakeholders indicate that it is in line with expectations. Early feedback suggests that stakeholders are seeking alignment of the procurement tools with the Enabling Resources initiatives, alignment with regional/bulk system needs, questions continue to be raised around the length of the various commitment periods. Stakeholders are now turning their attention to further details about the eligibility requirements for future procurements, for which engagement is expected to begin in August.

Forecasting and Planning

Gas Phase-Out Impact Assessment

The first session for this engagement was highly attended with a significant amount of discussion being generated both amongst stakeholders and with the IESO in the form of questions. Most questions during the live session seem to fit into similar themes that were submitted as part of the requested stakeholder feedback form. Some of the themes include clarifying the role of the IESO, recommendations for changes to or additional scenarios to consider, the role distributed energy resources (DERs) and various technologies can play in

replacing natural gas generation, federal government carbon emission targets and pricing, as well as suggestions to include social costs, environmental costs or other costs in the assessment. The IESO is working to provide responses to this feedback as well as answer questions that were submitted or not answered during the live session in August. The assessment report is due to be published in the fall with a final engagement session afterwards.

Southwest Ontario Bulk and Regional Planning

Southwest Ontario is among the province's most active planning areas as a result of continuous growth within the indoor agriculture sector. The West of London Bulk Study as well as planning in the Kingsville/Leamington and upcoming Chatham-Kent/Lambton/Sarnia regions will result in new transmission infrastructure to accommodate this growth. Municipalities, Indigenous communities, businesses, service providers and market participants continue to be active in these planning discussions.

On July 15 the IESO held its most [recent webinar](#) to explain future infrastructure needs and seek feedback and recommendations. In addition, the IESO held a dedicated meeting for Indigenous communities the following day, recognizing that they may have additional and unique considerations for the IESO. These sessions were supported by direct outreach and one-on-one meetings with Indigenous communities, local municipalities, and key stakeholders. Feedback is due August 6.