

Getting Back on Course: Ontario's energy needs post-pandemic

SAC Notes for Remarks – August 11, 2020

Peter Gregg

President and CEO, IESO

Check against delivery

Introduction

Good morning and thank you for joining us today.

I don't need to tell you that a lot has changed since our last public Stakeholder Advisory Committee meeting in February. I hope that throughout this time you and your families have been able to stay safe and healthy.

We have yet to emerge from the pandemic, and it will be years before our economy fully recovers... and as with any major economic disruption, it may never fully return to the same way it was before.

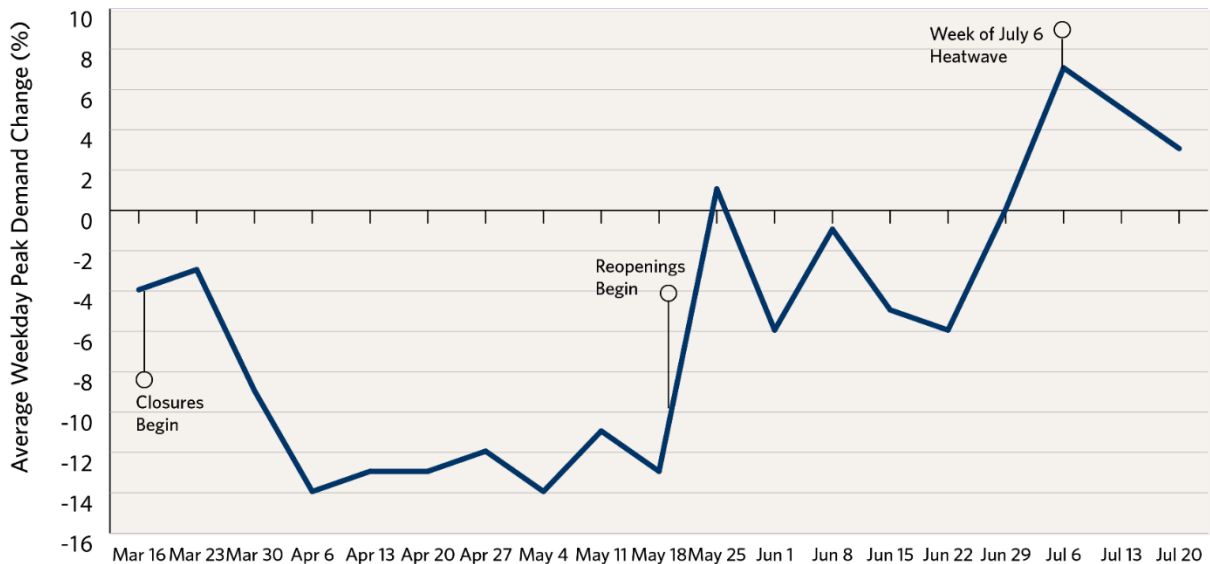
That of course has implications for the electricity sector. We recently provided updates to our planning outlooks, and Leonard will touch on that a little later on.

But with cities across the province now open for business, we are regaining some semblance of normalcy. That's the theme of my remarks here today – getting back on course.

We've been through something of a kayak roll... after everything got turned upside down, we now find ourselves upright again, albeit a little wet and off balance, but we're now in a position to continue down the path we were going.

COVID-19 Impacts on Electricity Demand

Before we go on I want to acknowledge the way the sector has responded to this year's events. Demand dropped significantly when society shut down, and market participants were forced to take unprecedented precautions to protect the health and safety of staff. Then summer came, and the hot weather, Industrial Conservation Initiative hiatus, and re-opening of society saw demand not only rebound – but rise to levels we hadn't seen since 2013.



The system responded really well, with Ontario's generators, consumers providing demand response, and imports all rising to the occasion—a great demonstration of how our system is designed to manage risk, maintaining reliability even in the face of unpredictable circumstances.

Looking ahead... while the pandemic may have temporarily stalled some of our efforts, we have a better view of how the province's longer-term needs have changed. We can now take these new realities into account as we move forward on our core priorities.

5 Year Strategy

With that in mind, our Executive Leadership Team recently revisited the corporate strategy we developed several years ago.

Nothing in our updated strategy should surprise you. It's more of a recalibration than an overhaul.

Our purpose remains the same: ensuring that affordable electricity is available, when and where people need it.

But we have revised our vision statement which now is: To be the trusted leader that guides Ontario's electricity future...

This is broader than our previous vision statement, which talked about leading the charge to a more competitive marketplace. We remain committed to a competitive marketplace, but we instead have it as one of our core strategies, which I believe is more appropriate than in the vision.

We have three new strategic objectives ... one is focused on culture and workforce transformation; the second is on reliability, affordability and sustainability; and the third is stakeholder trust.

Purpose	<i>Electricity is the backbone of modern civilization.</i> We are the heartbeat, ensuring affordable electricity is available where and when people need it					
Vision	To be the trusted leader that guides Ontario's electricity future					
Values	Expertise with Humility	Commitment & Accountability	Genuine Caring	Purposeful Engagement	Openness to Change	Collaboration & Teamwork
Strategic Objectives	1. Affordability, Reliability, Sustainability: Deliver optimized balance to ensure best overall electricity outcomes for Ontario 2. Culture and workforce transformation: Align culture, mindset, skills & capabilities to deliver on strategy 3. Stakeholder Trust: Enhance stakeholders' trust in IESO to operate in the best interests of Ontario					
Core Strategies	<i>Drive</i> Business Transformation	<i>Advance</i> Sector Leadership	<i>Ensure</i> Cost-Effective System Reliability	<i>Enable</i> Competition	<i>Prepare for the</i> Future of the Sector	

We are committed to driving cost-efficiencies within our business. Our revenue requirements were flat for the past three years and that commitment extends over the next three years where we are proposing a one per cent increase over that period. You'll hear more on our business plan from Barb Anderson later.

Driving cost-efficiencies within the IESO demonstrates our commitment to creating a more affordable electricity system for Ontarians. I'm proud of the way we've been able to find operational efficiencies while still delivering on our core priorities.

And as the economy recovers in the months and years to come, we want to help make sure that paying an electricity bill is one less concern for residents and businesses across the province.

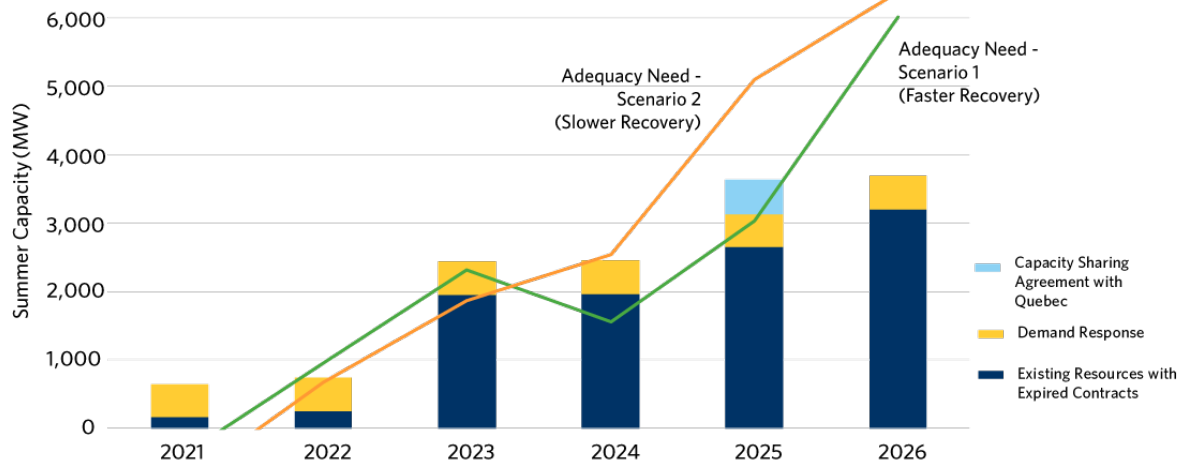
To that end, we continue to move forward with the Market Renewal Energy Project, which is expected to result in approximately \$800M in savings over the first 10 years. We'll soon be pivoting from design to implementation, and we know a lot of work lies ahead to get market participants ready.

Potential Options to Meet Adequacy Needs

As I mentioned before, enabling competition continues to be a priority and is one of our core strategies. This will be especially important in future resource acquisitions.

While the pandemic has changed some of our underlying assumptions in our supply and demand outlooks, the province's overall needs remain largely the same.

Existing and available resources can meet our energy needs for some time while a need for new summer capacity begins to emerge over the next few years.



The launch of our first capacity auction in December of this year will provide a platform for generators coming off contracts, imports, and demand response to compete, driving down our capacity costs.

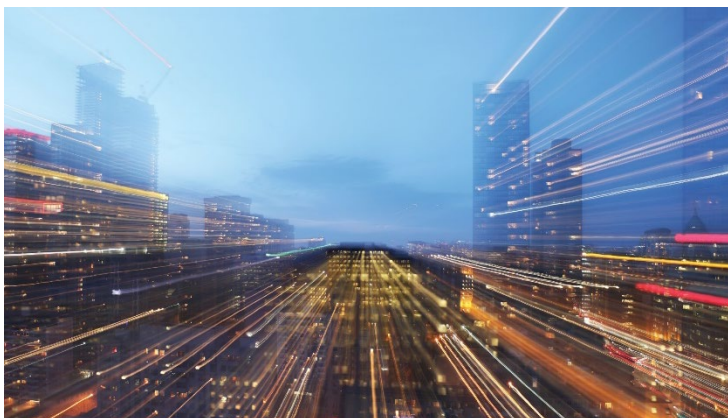
We know that capacity auctions don't work for all resources, and that's why we are starting the Resource Adequacy Engagement

This engagement will result in a suite of alternative capacity procurement options, to be determined with your input, that will help ensure future resource adequacy needs can be met cost-effectively. We'll be hearing more from Chuck Farmer on this later.

In closing, let me draw your attention to another initiative we plan to undertake as part of our corporate strategy.

Our electricity system has grown more complex, and a broader view is needed to anticipate potential challenges, like cyber threats, and to seize opportunities to innovate.

That is why we're developing a 10-year plan or roadmap to prepare us for the future of the sector.



As an example, we see how distributed energy resources are giving communities more cost-effective options in how they meet their energy needs. We're currently working with communities to enable that choice—whether through our local electricity market pilot in York Region, or targeted demand response in Windsor-Essex.

But what are the implications of this shift for local distribution companies and for the provincial grid? Are there structural changes required to our operations and markets to ensure these changes improve overall reliability and cost-efficiency?

These are the types of issues we want to look at in our 10-year plan and as always we will be asking for your input in the development of this plan.

In order to deliver on all of our priorities, your trust and your input will be essential.

This advisory committee represents a starting point for important policy discussions with our stakeholders – you represent your constituencies, your sectors – but most importantly you act in the best interests of all Ontarians in supporting our work to provide a reliable and cost-effective electricity service. We want to hear your input and advice on our priorities as reflected in the corporate strategy we are discussing today.

While the pandemic is still very much a part of our world, we now have a clearer view of its potential impact on the future of our sector.

Next you will hear from some of our VPs about our plans to get back on course. We look forward to your input.