

Meeting Notes of the Stakeholder Advisory Committee

Meeting date: 06/Jul/2022

Meeting time: 1:00 p.m.

Meeting location: Downtown Toronto (Vantage Venues) and via video conference

Chair: James Scongack

Scribe: Luisa Da Rocha, IESO

Meeting materials can be accessed on the [SAC](#) web page.

Invitees	Representing	Attendance Status Attended, Regrets
Nicolas Bossé	Energy Related Businesses and Services	Attended
David Butters	Generators	Attended
Michael Di Lullo	Ontario Communities	Attended
Brandy Giannetta	Generators	Regrets
Ed Gilbert	Ontario Communities	Attended
Malini Giridhar	Energy Related Businesses and Services	Attended
Bala Gnanam	Consumers	Attended
Paul Grod	Energy Related Businesses and Services	Regrets
Jim Hogan	Distributors and Transmitters	Attended
Bruno Jesus	Transmitters and Distributors	Attended
Frank Kallonen	Distributors and Transmitters	Attended
Amanda Klein	Distributors and Transmitters	Regrets
Tonja Leach	Ontario Communities	Attended
Scott McFadden	Ontario Communities	Attended
Paul Norris	Generators	Attended

Invitees	Representing	Attendance Status Attended, Regrets
Mark Passi	Generators	Attended
James Scongack	Generators	Attended
Annette Verschuren	Energy Related Businesses and Services	Attended
Agnieszka Wloch	Consumers	Attended
IESO Presenters		
Lesley Gallinger		
Leonard Kula		
Michael Lyle		
Carla Y. Nell		

Agenda Item 1. Welcome Remarks

James Scongack welcomed everyone to the first hybrid SAC meeting and acknowledged the traditional First Nations, Métis and Inuit territories from which participants were joining across the province. Mr. Scongack also welcomed two new SAC members representing Ontario communities – Michael Di Lullo and Mayor Scott McFadden – noting that they will provide valuable contributions based on their municipal and community experience.

Following the recent provincial election, Mr. Scongack noted that Todd Smith has returned as the Minister of Energy, and shared that the Minister values engaging with the sector. Mr. Scongack emphasized that the IESO is not a policy setting body, but rather has a mandate to exercise policy and serves a critical advisory function.

Agenda Item 2. IESO Business Updates

Carla Y. Nell thanked SAC members for working with the IESO to prepare the electricity system for the future, noting that a key part of success is close collaboration and coordination.

2021 Stakeholder and Community Survey Results

The IESO undertakes an annual survey of stakeholders and communities to better understand perceptions of the IESO and how to better meet needs. Ms. Nell shared that the 2021 survey results were consistent with previous years with overall impressions of the IESO being largely positive, with some slightly more neutral impressions than 2020. For the 2021 survey, the number of participants increased by over 77% reflecting the growth in non-traditional energy sector participants. The majority of survey participants indicated that the IESO's engagement processes have met or exceeded their expectations, and trust in the IESO remains strong. Areas for ongoing improvement include enhancing the engagement framework to focus on setting clear engagement objectives. A refresh of the IESO's engagement and outreach strategy will be discussed further with SAC to ensure it reflects the corporate strategy.

Innovation

Ms. Nell highlighted two major 2022 innovation deliverables including the June posting of the Achievable Potential Study results, and the IESO's work to finalize a report to government on options for the development of a Clean Energy Credit registry to be implemented on January 1, 2023.

Resource Adequacy and Long-Term RFP

Earlier this year, the IESO released the second Annual Acquisition Report which identified a much larger than anticipated need emerging as early as 2025 and outlined how the IESO will meet these needs through existing and additional acquisitions mechanisms. Ms. Nell shared that the IESO will be reporting to government in mid-July on the additional mechanisms being considered. The IESO will continue to rely on the Capacity Auction to meet needs in the near term, and is proposing a Forward Capacity Auction to secure capacity for 2025/26.

Market Renewal Project

The Market Renewal Project (MRP) is nearing completion on translating the renewed market design into the detailed system requirements and Market Rules needed to finalize the delivery schedule. Michael Lyle noted that as the detailed requirements have become known, and the associated development solutions updated by vendors, the IESO identified that the projected schedule is no longer feasible. The MRP Business Case remains sound and the IESO is working to build an updated timeline which will be shared by the end of Q3. The IESO is proposing to form an MRP Implementation Working Group to provide advice on implementation issues.

Energy Efficiency

Following a comprehensive engagement, the Industrial Energy Efficiency (EE) program was launched to support industrial customers by offering up to \$5M in incentives which will help reduce Ontario's electricity demand with energy savings of 330 GWh and 37.6 MW of peak demand savings. Mr. Lyle also shared that 'My Energy Action Plan' launched in March 2022 to increase awareness of residential consumers on low- and no-cost ways to save on energy costs. Later in July, the First Nations Community Building Retrofit Program will launch to provide funding and technical support to on-reserve communities undertaking EE projects. Engagement is underway on the mid-term review of the Conservation and Demand Management framework with a report to be provided to the Minister by December 2022.

Preparation for Summer Operations

Leonard Kula provided an update on three items related to operations.

1. Looking back, 2022 has been an outlier year with a busy outage management program with significant generation and transmission outages started mid-February and expected to continue to mid-fall. There was a robust spring outage program and generally equipment was returned to service on time or ahead of schedule, showing great coordination.
2. Looking forward, the typical peak week is the third or fourth week of July. Under extreme weather conditions, a peak can be expected of 24,700 MW. Supply will be adequate with the addition of some imports under extreme weather conditions.
3. In their 2022 summer assessment, the North American Electric Reliability Corporation (NERC) expressed significant concerns for the western two-thirds of the continent. The IESO monitors these activities since Ontario is part of the largest interconnected electricity system in the world.

Comments

In recognition of Mr. Kula's upcoming retirement, Paul Norris thanked Mr. Kula for his leadership. Related to the survey, Mr. Norris was surprised that municipal respondents aren't as happy or engaged as others given the IESO's regional planning work. Ms. Nell indicated that there was a notable increase, approximately 85%, in the level of participation by municipalities in the 2021 survey and there was evidence in the results that municipal respondents may be less familiar with the IESO and the electricity system which may be underlying less favourable impressions. Mr. Di Lullo added that the level of engagement with the municipal sector needs to be enhanced and that will lead to a greater levels of participation. Mayor Scott McFadden added that most municipalities do not understand the IESO and its significance, adding that information is not getting the attention it deserves because it is not understood.

Mr. Norris asked about lessons learned from the storm in June. Mr. Kula indicated that was an extreme weather event where 23 major transmission circuits were lost and in these events, the IESO's responsibility is to work with Hydro One to restore the bulk electric system and to get supply to the local distribution companies. Bruno Jesus thanked Hydro One customers for their patience during the storm, adding that it impacted approximately 760,000, or 51%, of the customer base.

With regards to the innovation update, Frank Kallonen noted that the Ontario Energy Board's (OEB) Framework for Energy Innovation Working Group recently released a report and asked how the OEB and IESO work is being integrated. Katherine Sparkes noted that the IESO has worked closely with the OEB on innovation, especially with regards to the integration of Distributed Energy Resources (DERs). This included a targeted call in fall 2021 through the OEB's Innovation Sandbox and the IESO's Grid Innovation Fund (GIF) that funded seven projects. The IESO and OEB have also started a twice per year public engagement to provide updates on their joint innovation work to address various items including the protocols that need to be in place by mid-2026 to enable the efficient operation of DERs between the IESO, local distribution companies and resource owners.

With regards to the survey results, Dave Butters expressed surprise that the IESO is not seeing more positive results on 'acting on input from stakeholders' and 'transparency in decision-making processes' and encouraged the IESO to continue to improve in this area. Mr. Butters acknowledged that MRP is complex and complemented the IESO for taking the time to validate the project schedule, also noting the Working Group as a good idea. One project noted as absent from the updates was the pathways to decarbonization project, and Mr. Butters asked if there will be a project update and an opportunity for stakeholders to see the draft report before it is delivered to the Minister. Chuck Farmer shared that the IESO has been gathering information and working with stakeholders on the modelling assumptions, also noting that he will take the request for posting the report prior to delivery as input.

Noting that Energy Efficiency and Conservation and Demand Management have been successful and will continue to be very important in addressing upcoming needs, Jim Hogan indicated that local distribution companies are willing to play a larger role moving forward and as the programs evolve, distributors can be looked upon to lead them given the great partnership developed with the Conservation First Framework. Mr. Farmer noted that the IESO is open to continuing discussions with LDCs, noting that this should be provided as input into the current mid-term review engagement.

With regards to MRP, Mr. Hogan asked if there are tentative dates for training and testing. Candice Trickey shared that a new schedule will be published by the end of Q3 and it will include milestones

for training and testing. Of particular note, the functional specifications that participants need to build their systems will be coming out towards the end of this year.

Mr. Hogan noted that distributors will be involved in the Long-Term RFP projects and asked whether the IESO will be aligning policies with FERC order 2222, in particular the 100 Kw eligibility and the aggregating projects. Mr. Farmer indicated that the current RFP eligibility is 1MW or greater and there is an enabling resources initiative that will look at future participation models and aggregation.

Comments from Observers

Colin Anderson, Association of Power Consumers of Ontario, drew a linkage between three updates - the majority of DER opportunities will come from large commercial and industrial demand response (DR), that MRP is delayed, and that the latest tranche of Market Rules was not approved at Technical Panel – drawing the conclusion that the sector is looking for more DR, there is more time to do this, and the DR community, through the Technical Panel, indicated that they were not content. Mr. Anderson asked whether the IESO will be taking a comprehensive engagement approach for the DR set of market rules. Mr. Farmer shared that he is taking the Technical Panel decision quite seriously, adding that comprehensive stakeholdering will be key along with resetting the discussion and understanding the concerns that led to vote.

Mr. Scongack concluded the agenda item by sharing his congratulations to Mr. Kula noting that a lot of IESO's reputation is related to the reliable operation of the system, adding that this is one of the key teams that need to be resourced. Kudos were also shared for Hydro One and LDCs workers that are getting the lights back on under hazardous situations.

Agenda Item 3. IESO Corporate Strategy

Lesley Gallinger, IESO President and CEO, provided an overview of the IESO's new corporate strategy and discussed how it addresses the evolution of the sector where electricity is being counted on to do more than ever. Ms. Gallinger shared that after the executive leadership team and Board of Directors re-assessed the IESO's priorities, they arrived at three core strategies:

1. Drive and Guide the Sector's Future

Engagement activities are the backbone of what the IESO does and strengthening stakeholder and Indigenous communities' engagement and relationships via purposeful and transparent outreach is a key imperative. By maturing these relationships, the IESO will be better able to inform, understand and work with stakeholders and communities to help drive the sector transformation, and as part of this, the IESO will identify, anticipate, and respond to changes in customer choice and policy. Reliance on electricity is increasing as the economy decarbonizes and with this comes evolving consumer preferences and policy. The IESO's job is to support this shift while maintaining reliability and affordability.

The IESO will actively participate in the dialogue about the sector's future and these conversations will be influenced by the sector's ability to collaborate and to contribute to an understanding of what is needed to evolve the system further. Decarbonization will be front and centre and the focus of much policy debate in the next coming years. The IESO's role is to provide a view on how to achieve reductions while at the same time maintaining reliability and affordability.

2. Ensure System Reliability while Supporting Cost-Effectiveness

The IESO will be transforming real-time markets, adapting planning processes, cost-effectively acquiring services, while continuing to use the Resource Adequacy framework to address future supply needs. The IESO understands the need for clear roles and consistency, and annual processes are helping with this - the Annual Planning Outlook is setting out needs and the Annual Acquisition Report is laying out acquisition plans. Options are designed to address the urgent and significant supply needs while also providing developers with the flexibility and certainty they need to invest.

The IESO will also continue to move forward with MRP to deliver significant rate-payer savings and provide the foundation that is now essential for the transformation of Ontario's electricity system. Cyber security will continue as a priority and is another area where collaboration is critical.

3. Drive Business Transformation

The IESO needs to ensure there is a skilled and engaged workforce and is dedicated to creating a more equitable, diverse and inclusive workplace. Work is currently underway on the Business Plan and it will be discussed with SAC later this year. The IESO is looking at how to get the most out of existing resources, but additional resources will be required to carry out the IESO's mandate.

Ms. Gallinger acknowledged Mr. Kula, IESO's Chief Operating Officer, retiring at end of July noting that Mr. Kula started with Ontario Hydro in 1986 and has been with the IESO since its inception. Throughout his career, he has been an essential steward of the electricity system ensuring reliability, resilience, cost-effectiveness and sustainability.

Comments

Mr. Butters shared his personal thanks to Mr. Kula. Mr. Butters agreed with Ms. Gallinger's comments that competition is driving down cost, but noted that there are other factors that are more important such as the bankability of the contract, rate of return, revenue certainty, and the appropriate allocation of risk. While entering a period of capacity shortfall, Mr. Butters noted that we need to be practical, and that we already have well known, bankable contracts with resources that have additional life beyond their contract term. Ms. Gallinger indicated that the team is learning from feedback and collaboration with the sector and are developing RFPs to ensure the procurements are successful.

Tonya Leach shared that she liked the strategy, including its acknowledgement of the importance of municipalities, and that the strategy positions the IESO as an advisor/participant in creating a sustainability energy system. Noting that it is important to take an all-energy system approach, Ms. Leach asked how the strategy addresses this broader view and the role of the IESO. Ms. Gallinger indicated that the strategy intentionally references the broader energy system, noting that the IESO is at the centre for enabling a much larger change in the economy and the environment. In reference to Ms. Leach's comment about the broader constituency seeing themselves in the strategy, Ms. Gallinger noted that this speaks to the importance of broader conversations.

Mr. Norris indicated that he would like to better understand the view of municipalities and Indigenous communities, noting that they will play a much bigger role than that of willing hosts and it is a good start that points have been allocated to municipalities in the recent RFP. In the waterpower sector, it was noted that Indigenous communities are building the next generation of hydro facilities. Mr. Norris indicated that he would like to hear more about the IESO's role in driving work with local

distribution companies and the Ontario Energy Board, asking if the IESO's is the facilitator, the leader, or both. Ms. Gallinger agreed with the importance of communities, indicating that the siting decision is local and the connection with the LDC is critical to successful projects.

Mr. Di Lullo commented that the strategy was excellent and noted that change management is one of the biggest challenges for municipalities. Section 1.1 of the strategy was highlighted as being critical in that the more communication there is with residents, the easier it will be to make change happen. Ms. Gallinger noted that the IESO is planning to do more education and outreach including through the Association of Municipalities of Ontario and the local distribution companies.

Malini Giridhar asked in relation to risk allocation, the extent of the IESO's role in permitting, noting that in Europe, renewable facilities have increased upfront permitting to manage risk. Mr. Farmer shared that while the IESO cannot undertake permitting, it can ensure proponents understand the permitting process and encourage agencies/ministries to be aware of what is coming.

Ms. Giridhar noted that Enbridge, as the gas system operator, are also looking at the role of gas in broader decarbonization and asked if there was an opportunity to collaborate on a longer-term demand forecasting/scenario planning exercise between gas and electricity that can be presented to the Ontario Energy Board. Ms. Gallinger welcomed the opportunity to explore this, and noted that the new electrification panel is also looking at this.

Mayor McFadden shared his interest in reliability, noting that while it was rated third in survey, it is the top priority when it is not available, offering his congratulations to the SAC members that contribute to this. Mayor McFadden was encouraged by the number of times municipalities have been raised at the meeting, noting that communication will be important moving forward. It was noted that municipalities have recently completed their Official Plans to plan for growth for next 30 years, highlighting the importance of understanding each others documents and working collaboratively.

Mr. Butters asked how the IESO will be working with the Electrification and Energy Transition Panel regarding a whole-of-energy system. Mr. Lyle noted that briefing meetings have taken place with David Collie as well as initial conversations on what the IESO wants to share with the panel, including integrated energy planning and the role of the IESO in system planning moving forward.

Mr. Scongack shared that diverse expertise is a sector challenge, noting that skills development is important for the IESO as it needs diverse capabilities for the strategic plan. It was asked whether there is an opportunity for a development rotation program where people from the IESO can work for a generator, distributor and others in the sector to have diverse expertise in house.

Agenda Item 4. Discussion Item: Maximizing Existing Resources

At the SAC planning session in early 2022, members selected three critical sector themes to explore, with the second of these being maximizing existing resources. Under the leadership of Ms. Giridhar, a working group was formed to develop a challenge statement on this topic which has been posted to the IESO website.

It was noted that Ontario taxpayers continue to subsidize the rate impacts of existing resources highlighting the need for prudent procurement. While many resources are under contract or rate regulation, it is important to address resource re-acquisition mechanisms for the remaining 33% of existing assets since the majority of contracts will expire over the next decade.

Comments

In reference to the data included in the challenge statement, Mr. Scongack asked if the taxpayer subsidies were \$4.1B as written or whether there were closer to \$6.5-\$7B. Mr. Scongack also shared that the long-term capacity contract with Bruce Nuclear is 6,550 MW, not 6,400 MW.

Mr. Jesus noted that the strategic considerations and committee advice section is missing information on the timeliness to acquire resources. Related to timing, Mr. Scongack added that for immediate needs, the only options are the existing resources, noting that maximizing existing resources may not be an option, but instead mandatory if there are supply gaps.

Mayor McFadden suggested that the first statement in the strategic considerations and committee advice section related to ministerial directives could be framed more positively and in a more collaborative manner.

Mr. Jesus added to his previous comment on timing that while existing resources need to be considered, so too should resources that can be procured with the required timelines such as DR, modular DERs and rooftop solar. It was noted that this was also included in the first challenge statement and the group will need to address how the four papers will work together.

Ms. Giridhar reminded the committee of feedback received at the previous SAC meeting about the need to pair existing resources with technology that may optimize them. Annette Verschuren added that it is important to maximize the performance of operations in making the grid more efficient.

Mr. Kula referenced a recent speech by Jim Robb, NERC where it was observed that there is a challenge in North America with a disorderly exit of resources leading to capacity problems. Mr. Kula asked the Working Group's advice on supporting both market entry and exit. Ms. Giridhar indicated that the Working Group assumed that existing resources would have a cost competitive advantage to new resources. Mr. Norris added that the Working Group started with the Annual Planning Outlook (APO) and the assumption that existing resources will continue to operate. From there, the group discussed the divergence between investment certainty (contract) and the useful end-of-life of an asset, which is not included in the APO, and could be different. Mr. Kula noted that there can be a useful life following the end of the contract, and asked about the right length of commitment past this point and how the exit of resources can be managed in a reliable and cost-effective manner. Ms. Giridhar indicated that this item would be taken back to the Working Group.

Ms. Verschuren added that new technology, and optimization and grid efficiencies need to find ways to enter the market, noting this as an area that needs to be addressed.

Mr. Butters added that he prefers to look at this as thoughtful and orderly capital stock turnover instead of exit, noting that it needs to be done in a manner that respects public policy goals and ensures least cost outcomes and stranded assets.

Agnieszka Wloch asked the Working Group to elaborate on the point in the challenge statement where it indicates that the IESO needs to understand consumer tipping points, asking how this information could be collected. Mark Passi shared that the tipping points change over time, such as the changes happening now in Germany where they may re-start coal plants. The question of how to collect this information is complex and starts with the conversations the IESO has with groups such as SAC and through other IESO processes.

Comments from Observers

Mr. Anderson, AMPCO, shared his support for maximizing existing resources, but raised a concern with the reference in the Challenge Statement about the IESO's role to ensure contracts meet societal goals. These goals are beyond the electricity sector and the ratepayer should not be the only source of funding for this. Mr. Anderson asked the Working Group about the inclusion of societal goals in the statement. Mr. Passi noted that the group discussed the taxpayer subsidization and the appropriateness of costs moving from the rate base to the tax base since costs should follow benefits. Mr. Anderson indicated that "societal" should not be included if things are to be exclusively funded by the electricity rate payer as it will be difficult for the IESO to determine what is a societal versus an electricity sector goal and allocate funding. There was general agreement that alternative wording could be "appropriately funded societal goals" or "government policy goals" as long as there is a recognition that the IESO is not taking on a role to solve society's problems.

Ms. Verschuren offered a contrary opinion that all companies are taking on greater responsibility to their shareholders, and ESG (environmental, social and governance) is a critical factor for both private and public companies. This is an issue which needs to be recognized and it is hard to isolate this issue without putting it in the context of the current times.

Mr. Scongack added that there has historically been a link between the electricity system and public policy, even going back to Ontario Hydro. SAC can propose options on how to maximize and utilize resources from an electricity sector perspective, recognizing that if there are other public policy objectives, those need to be financially accounted for in a different way.

Mr. Butters agreed with Ms. Verschuren and Mr. Scongack, noting that it is important to recognize that electricity is made to serve broader social and economic goals, and suggesting adding a summary at the beginning of the challenge statement speaking to the importance of electricity to the economy, human welfare, social goals and so forth.

Mr. Anderson responded by noting that electricity serves a lots of goals, however the issue is who is going to pay for it. To say electricity will benefit society is correct, but to say that the rate payer should pay for it is incorrect. Mr. Anderson noted that there needs to be an acknowledgement in the statement about appropriate funding if the electricity sector is going to start tackling societal goals.

IESO Board Chair Joe Oliver shared that the IESO has certain statutory obligations and societal objectives are not specifically provided for. The government can direct the IESO through policy and then it is the IESO's obligation to comply. However, if they have not done so, the IESO is confined to statute requirements of the IESO. Part of the IESO's role is to provide expert, independent, objective analysis to the government for their determination of policy. If the government has certain societal objectives, it is up to the IESO to say what the consequences are related to the IESO's mandate of reliability and affordability. For example, in the gas study, the IESO showed that the phase-out of gas this decade would lead to brown outs and a 60% increase in costs to rate payers. Mr. Oliver concluded that the IESO needs to be cautious of taking on overarching objectives outside of the IESO's statutory responsibilities, and added that the private sector needs to consider the economic and financial implications of adding the broad statement (in the challenge statement document) and their fiduciary responsibilities to their shareholders.

Ms. Giridhar noted that all input would be taken back for further discussion.

Agenda Item 5. Other Business

Mr. Butters shared that the Ontario Energy Association (OEA) and the Association of Power Producers of Ontario (APPrO) is having a joint conference on September 19 and registration is open at www.ontarioenergyconference.com.

Mr. Norris noted that Associate Minister Bill Walker had attended a previous SAC meeting, asking whether a member of government should be invited to a future meeting. Mr. Scongack indicated that he will work with the IESO to invite the Minister adding that from a timing perspective it may be better to wait until after the next SAC meeting so that all of the challenge statements have been discussed and a package can be provided to the Minister.

Mayor McFadden asked if the IESO would be attending the upcoming Association of Municipalities of Ontario conference, and if so what is the role. Ms. Nell shared that the IESO will have a strong presence at the conference as an exhibit, sponsor, speaker and panelist, and invited municipalities to have a conversation about the electricity sector and the IESO's role.

Ms. Verschuren shared that Energy Storage Canada Conference will be held on October 11-12.

Mr. Scongack asked for an information item to be added to the SAC agenda on industry events and conferences, and that Dave Collie be invited to the next SAC meeting.

Agenda Item 6. Adjourn

Mr. Scongack thanked the IESO team, the IESO Board and SAC members for their participation.

The next SAC meeting will take place in September.

Meeting adjourned at 3:40pm.