Notes for Remarks:

IESO Electricity Summit
Electricity Marketplace of the Future
June 17, 2019

Peter Gregg
President and Chief Executive Officer
Independent Electricity System Operator (IESO)

Check against delivery
Good morning and welcome everyone. It’s great to see so many people here this morning.

As Carrie mentioned, we have a great agenda lined up for you and I look forward to the dialogue, both during the sessions and during our breaks.

It’s a good opportunity for me to hear what is going on in the electricity sector around us, exchange ideas with others, and quite frankly learn from the experience of others.

The theme of our summit is the electricity marketplace of the future and in my remarks this morning I want to bring you up to date on our market renewal efforts, which will be a key aspect of Ontario’s future marketplace.

**ETNO Report**

But first let me start with an overview of a piece of work that the Electricity Transformation Network of Ontario has just completed around the emergence of distributed energy resources.

I know I’m not alone in saying it’s only a matter of time before the rise of distributed energy resources begins to have a greater impact in the electricity sector. While DERs currently make up 10 per cent of the province’s total electricity capacity, they are expected to increase.
This transition of DERs is a topic of discussion for a lot of us in the electricity sector. Its impact has so far been relatively minor and we have been able to manage it within our existing system. But as more Ontarians actively engage in managing their electricity use, this shift will require fundamental changes to how our electricity system functions.

This is the focus of the ETNO report. ETNO is a group that I co-chair that includes organizations from Ontario's utility sector, industry associations, public agencies and universities who work together to help shape the future of Ontario’s electricity system.

In fact, a couple of weeks ago, the IESO released its Grid Operability Assessment and we identified existing DERs in Ontario as the single largest reliability risk that we must plan for.

The report considers options for the future structure of Ontario’s electricity system in an era of increasing DERs. As they increase, there will be implications for the reliability and affordability of our electricity system.

There are various configurations for our electricity system that might achieve this, many of which are being used in other jurisdictions across North America. One of the underlying issues is the question of who should own, operate, buy and sell services related to DERs.
The report highlights one area where there is a divergence of opinions: whether existing local utilities should manage all facets of DERs, or whether there should be an open market model where there is competition to provide DER services.

Those in favour of local utilities maintain that they offer security, they are regulated, and that there is comfort to be found in their existing infrastructure and knowledge. Those opposed argue that the increased competition that comes with an open market will spur innovation, drive down costs, and offer greater customer choice.

There are merits to each argument. The point of the ETNO paper is not to take sides, but to lay out various options, understand their pros and cons, and the implications for system reliability and affordability. It’s an important dialogue we need to have.

**Market Renewal**

Let me now turn to our market renewal efforts.

We have had some extensive stakeholdering on market renewal and the recent Stakeholder Advisory Committee meeting we held in late April was particularly insightful for us.

We heard from AMPCO on concerns they have around single schedule pricing.

Since that SAC meeting, we have been working with AMPCO to put forward a revised option around zonal pricing for large consumers that addresses AMPCO’s
concerns. We will begin engagement on that option with a broader group of stakeholders later this month.

We heard from others, including Rodan and other demand-response participants. While they support a capacity auction, they have concerns they want us to address, including energy payments and access to ancillary services markets for all auction participants.

We have initiated an effort to address those concerns, along with other demand response participants’ concerns about measurement and verification and audit processes. That work will begin at the Demand Response Working Group later this week.

In addition to the comments to the Stakeholder Advisory Committee, we have also received over 20 submissions on the high-level design being proposed for the incremental capacity auction.

**Planning Outlook**

The planning outlook released last fall indicated that we have a capacity need beginning in 2020, and growing significantly in 2023 for a short number of years with the upcoming retirement of Pickering A occurring during nuclear refurbishments.
We are updating that forecast and will release a new outlook over the next three months.

This outlook helps define the capacity need that our future capacity auctions will have to address.

In the near term, we believe our capacity requirements can be addressed through existing resources, such as demand response, imports, generators that are coming off long-term contracts, uprates of existing facilities and energy efficiency

Our future capacity auctions will focus on providing an opportunity for those resources to compete in Ontario’s electricity market.

We don’t see nuclear or new (large) hydro assets being acquired through our capacity auction.

**Path forward**

Our focus over the next six to 12 months will be on:

- Finalizing the energy stream detailed design;
- Addressing the concerns raised by the demand response community and others that have surfaced through the engagement on the transitional capacity auction;
• Running the next two auctions in December and June and making eligible additional resources, such as the generators who are without a contract and imports.

And finally we are going to take some time to work with stakeholders to address their comments on the incremental capacity auction and the business case for market renewal. As mentioned, we received over 20 submissions covering a wide range of issues and we will take the time to meet with these stakeholders and others to better understand their concerns.

But there are other initiatives beyond market renewal that we have on our plate.

We will be working with stakeholders and others to map out next steps for conservation. As you likely know, we are managing a centrally delivered conservation framework that runs until the end of 2020. But we recognize the need to start looking at what comes next.

We are very interested in seeing if we can take a more competitive approach to energy efficiency and I know the panel this afternoon will address that approach.

And as many of you know, the IESO is developing a plan to fully enable storage to compete in our electricity markets. We shared a draft of this plan with the energy storage advisory committee last month.
We received positive feedback on the work that we have initiated to date to enable storage – such as clarifying the interconnection process. We also clearly heard the storage community’s calls for us to speed up our integration efforts. We’ve committed to spending the next few months looking at what the impacts would be of doing so.

As you can tell, there is a lot for us to engage on in the coming months.

And with that, I will close. Thanks again for joining us here today. I look forward to an interesting day.

-30-