

Memorandum

To: Stakeholder Advisory Committee

From: Chuck Farmer, Director, Stakeholder & Public Affairs

Date: May 3, 2017

Subject: IESO Stakeholder and Community Engagement Update

This memorandum provides an update on recent IESO engagement initiatives, including updates on regional and community engagement, active stakeholder engagement initiatives including the IMDC process review and enabling flexibility as well as an update on Technical Panel business. Updates on other IESO engagements can be found on the [Active Engagements page](#).

Regional and Community Engagement

Regional and community engagement continues to take place throughout the province to bring the electricity dialogue to the local level. At the beginning of April, the newest Local Advisory Committee (LAC) met in Barrie/Innisfil with an inaugural meeting to discuss the implementation of the area's Integrated Regional Resource Plan (IRRP) with a diverse group of community members. With the formation of this LAC, there are now [11 LACs](#) across the province – including nine community and two indigenous Committees.

Regional planning is continuing with the start of a new regional planning process in the Hamilton area. This process is currently in the Needs Assessment phase, led by Hydro One, and will soon progress into the Scoping Assessment phase, led by the IESO. The need to conduct regional planning in this area is triggered by recent information provided by Hydro One indicating that a number of stations and high voltage underground cables in the Hamilton and surrounding areas are reaching end-of-life and substantial re-investment would be required over the next decade. Regional planning would provide the opportunity to coordinate transmission and distribution refurbishment activities, right-sizing and consolidating assets and addressing other needs in the area in consideration of current customer information and updated forecasts. Communities in the planning area will be engaged as appropriate as the planning process progresses. As with other regional planning areas, a new webpage will be

developed so that communities and stakeholders can provide feedback and track planning activities.

Throughout the year, the IESO will be undertaking a number of initiatives to enhance local electricity conversations. Leading this will be four regional forums taking place in the fall in Thunder Bay, Sudbury, London and Ottawa. Launching from the Stakeholder Summit taking place in Toronto on June 12, the regional forums will discuss not only provincial electricity topics, but will also focus on key areas of discussion and opportunity at the regional and local levels. Further information will be provided on the IESO website as well as through a communications and outreach plan currently being developed.

Key audiences for the regional forums will include municipal and community representatives. Outreach with the municipal audiences will start soon with the IESO's participation at four municipal conferences over the coming months focused on northern municipalities, small and medium sized municipalities and then all municipalities at the annual Association of Municipalities of Ontario conference taking place in August. The IESO will have an exhibit booth at each of the conferences to meet local representatives and explore topics they would like to discuss at the fall regional forums. A new IESO booth has been developed for these conferences that visually showcases the diversity of the province and emphasizes the desire to have local conversations.

IMDC Process Review

The IESO has completed a stakeholder engagement initiative to review the IMDC process. The IESO presented the results of its review to stakeholders on March 30, responded to an additional question and proposed to incorporate changes to the IMDC process in Baseline 38.0 which will be posted In July.

In defining the scope of the initiative, the IESO was clear that an IMDC process was necessary, but there were opportunities to improve the process. Stakeholder feedback focused on four themes: IMDC criteria, external communication and stakeholder feedback, public documentation and the distinction between market rules and manuals. In our response to stakeholder feedback, the IESO will take the following actions to increase transparency in the process:

- Publishing the criteria to use an IMDC in Market Manual 2:13
- Publishing stakeholder feedback and IESO responses to the IESO website
- Changing the IMDC form so the IESO would include the specific criteria for use, and stakeholder history (where applicable)
- Publishing revisions to IMDCs in the weekly bulletin
- The time for consideration of market participant comments will be increased from one to three business days

The IESO is intending to publish these changes in the next baseline, which will start on July 12.

Enabling Flexibility

The objective for the Enabling Flexibility engagement initiative is to determine potential solutions that can enable and achieve flexibility to meet the evolving needs of the system. Ontario's changing supply mix, the growth of embedded resources and a large variable generation fleet has resulted in a need for additional resource flexibility to manage instances of where these resources' output is less than forecasted. These events can also create price 'spikes' indicating the premium value for fast-ramping generation online during these timeframes.

Starting from June, 2016, the IESO held a series of meetings with stakeholders to:

- Define and describe the flexibility need in both the short and long term;
- Look at flexibility issues within different timeframes (day-ahead, intra-day, intra-hour)
- Discuss some potential options and mechanisms to address this need (including experiences in other jurisdictions) and practical considerations about their ability to be implemented in the short vs. long term

At the last stakeholder meeting, the IESO indicated that elements of the Market Renewal Program (MRP) including more optimized commitment in the intra-day timeframe and more frequent intertie scheduling will be a part of the enduring solution to address much of this flexibility challenge. In the near term, the IESO will consider how changes to existing market processes could be used to better enable flexibility from current resources. The IESO has had a series of discussions with stakeholders who have indicated that with some adjustments to their operation and configuration they may be able to meet this flexibility need. It is the IESO's view that at this time, better utilizing existing assets is a more practical, cost-effective solution rather than looking at procurement of new resources. Market Renewal will be the vehicle to address flexibility over the longer-term.

This IESO is planning a stakeholder webinar later in May to review these issues and discuss how best to signal flexibility needs to allow resources to respond.

Technical Panel

The IESO Technical Panel (TP) proposes and reviews amendments to the Market Rules, and as requested, advises the IESO Board of Directors on specific technical issues relating to the operation of the IESO-administrated market. Members of the TP are represented by stakeholders in Ontario's electricity sector.

On March 2, the IESO Board appointed four new members to the Technical Panel - Robert Bieler, Ron Collins, Sarah Griffiths and Joe Saunders. A current list of the membership can be found on the Technical Panel Membership [webpage](#).

At their March 21 meeting, Panel members discussed and provided advice to the IESO Board on the following three proposed rule amendments. These rule amendments were subsequently approved by the IESO on April 21, 2017.

- **Revisions to Reductions in Demand Response Prudential Support Obligations, Interest Payments on Cash Deposits**

The 2016 Prudential Review engagement initiative recommended two changes to the market rules. The first to provide greater demand response (DR) prudential reductions to distributors for credit ratings and good payment history. The second to eliminate the requirement that the IESO pay interest on cash deposits provided as prudential support. These market rule changes will also update existing cross-references and provide true-ups related to affiliate guarantees and credit ratings. The changes received unanimous support from the Panel members. The effective date of this amendment is May 5, 2017. The specific details of the changes can be found in the Market Rule Amendment Proposal [document](#).

- **Minor Amendment Omnibus 2017**

These amendments correct cross-references, remove redundancy and clarify procedures related to the de-registration of registered facilities. The approved changes also involve a number of minor amendments within several areas of the market rules.

- **Real-Time Generation Cost Guarantee – Cost Recovery Framework**

These amendments enable a new cost recovery framework for the real-time generation cost guarantee program. These changes are expected to increase the transparency of costs eligible to be submitted by market participants for recovery under the program, as well as reduce the scope and frequency of audits. The amendments also clarify the planned maintenance costs that are eligible for recovery under the program. Through a majority vote, the Technical Panel recommended this proposed rule amendment to the IESO Board – with seven members in favour and four members opposed. The Panel’s rationale and comments associated with their votes were communicated to the IESO Board. The effective date of this amendment will be communicated to market participants and may be as early as June 7, 2017. Specific details on how the rules have been changed can be found in the Board approved Market Rule Amendment Proposal [document](#).

The meeting materials can be found on the [Technical Panel webpage](#).