

**IESO Stakeholder Advisory Committee**  
**Minutes of Meeting**  
**December 5, 2007, 9:30 am**  
**Toronto Congress Centre**

**Advisory Committee Members in Attendance:**

Mr. Brian Bentz, Chair (representing Distributors)  
Mr. Bruce Campbell (representing IESO)  
Ms. Julie Girvan (representing Residential Consumers)  
Mr. Richard Horrobin (representing Generators)  
Mr. Mike Humphries (representing Embedded Industrial Consumers)  
Mr. Bruce Lourie (representing Environmental)  
Mr. Paul McMillan (representing Marketers/Brokers)  
Mr. Doug Reeves (representing Distributors)  
Mr. Chuck Stradling (representing Commercial Consumers)  
Mr. Adam White (representing Wholesale Consumer Market Participants)  
Mr. Gary Wight (representing Marketers/Brokers)  
Mr. John Witjes (representing Public Service Consumers)

**Advisory Committee Members Absent:**

Mr. Steve Dorey (representing Transmitters)  
Mr. Daniel Whyte (representing Generators)

**Presenters:**

Mr. Ken Kozlik  
Dr. Brian Rivard  
Mr. Martin Hastings  
Mr. Dave Robitaille

**IESO Board Members in Attendance:**

Mr. Rudy G. Riedl (Chair)  
Ms. Roberta Brown  
Mr. Dave Cassivi  
Ms. Angela Ferrante  
Mr. James Hinds  
Mr. William J. Muesler  
Mr. Howard Shearer  
Mr. John Wiersma

## **Introduction – Brian Bentz**

Mr. Bentz welcomed everyone and congratulated those who were appointed or reappointed as members of the Committee. He formally welcomed the new members to the Committee, Mr. Gary Wight, Mr. Adam White and Mr. John Witjes. He acknowledged the attendance of the Board of Directors and thanked them for their support and their level of engagement in the consultative process. Mr. Bentz then reviewed the Committee's roles and responsibilities.

## **Agenda Item No. 2: Feedback from November 15, 2007 IESO Board Meeting**

Mr. Bentz and Ms. Girvan attended the last Board meeting on behalf of the Committee. The briefing note from the Committee to the Board can be found at:

[http://www.ieso.ca/imoweb/pubs/consult/sac/sac-20071115-IESO 2008 Corporate Performance Measures-Bentz Note.pdf](http://www.ieso.ca/imoweb/pubs/consult/sac/sac-20071115-IESO%2008%20Corporate%20Performance%20Measures-Bentz%20Note.pdf)

They provided input from the Committee regarding corporate performance measures, and discussed the smart meter initiative, including the type of oversight that is required and the role of the central data repository going forward.

Mr. Bentz noted that there are six meeting dates scheduled for next year and the dates are posted on the website. The Board meetings typically follow the Stakeholder Advisory Committee meetings. Mr. Bentz welcomed other members of the Committee to attend the Board meetings along with him.

Mr. Bentz commented on the recent senior management changes at the IESO. He thanked Mr. Cowbourne, as the outgoing COO, as a very good, long serving member of the IESO as well as Mr. Cowbourne's good working relationship with the Committee. Mr. Bentz also welcomed Mr. Kozlik as the new COO and congratulated Mr. Limbrick on his expanded role as CIO.

## **Agenda Item No. 3: Senior Management update – Bruce Campbell**

### **(a) Review of Action Items from August 22, Committee meeting**

The only outstanding item was a request from Steve Dorey that the IESO investigate rule making responsibilities in other jurisdictions, and the relationships between other ISOs and other agencies, and appeal mechanisms. The IESO has discussed the issue with Mr. Dorey and explained that given that the IESO's rule-making processes are largely statutorily defined, in the absence of general stakeholder concern, the IESO will continue to focus its efforts on higher priority items.

### **(b) Agency Review Panel**

The Report has not yet been released and as such there is nothing to report on at this time.

(c) Consumer Forum

The consumer forum is an ongoing activity and a work program for it is included in the business plan which is currently before the OEB. Mr. Horrobin noted that there is going to be an annual report on the consumer forum and suggested that it would be useful to have more regular feedback. Mr. Campbell stated that the Committee will be advised about activities in the various stakeholder issues and committed to sharing the learnings from these forums. Mr. Bentz asked about the relationship between the Committee and the consumer forum and how they will work together. Mr. Campbell replied that his vision is that the consumer representatives on the Committee would use the consumer forum to inform themselves of the concerns of that constituency. The Committee will be kept up-to-date on the happenings of the forum.

(d) Stakeholder Engagement Review

A web-based survey is currently being conducted in connection with the review. The IESO is looking for feedback to gain the benefit of stakeholders' experience to determine what is working and what needs to be addressed.

**Agenda Item No. 4: Day-Ahead Market**

The presentation by Mr. Kozlik and Dr. Rivard can be found at:

<http://www.ieso.ca/imoweb/pubs/consult/sac/sac-20071205-DAM-pres.pdf>

Mr. Kozlik gave a brief overview of day-ahead markets (DAMs) and their uses in other jurisdictions. In any jurisdiction there are three drivers that give value to a DAM. The first is that most consumers cannot respond to real-time price. The second is that DAM is a bridge between the financial and physical world. The third driver is that as DAMs better coordinate systems you increase the opportunities for economically efficient trade. Mr. Kozlik then outlined the challenges to implementing a DAM in Ontario and highlighted some Ontario specific drivers for implementing a DAM. The first Ontario specific driver is demand response. There is a strong incentive to increase the amount of demand response and to get buyers more active. Ontario is also going to be undergoing a significant change in its generation fleet; coal is being phased out no later than 2014 and being replaced by a variety of other forms of generation with different operating characteristics.

Mr. White asked whether the IESO is aware of third parties in the market that sell price forecasts. Dr. Rivard responded that he is aware of companies that do sell these products. A question was raised by Mr. Horrobin as to what accuracy has been seen in the price forecasts. Dr. Rivard replied that that he did not have the numbers in front of him but the mean absolute forecast error was in the range of 25% which compared favourably to New York and Michigan.

The IESO price forecast of convergence of the DAM price to real-time price is close to zero as was the New York forecast. Michigan was slightly higher.

Mr. Wight asked whether the IESO model considered the potential of the rebate coming off and non-prescribed assets. He also enquired about what is being projected on volatility in the future as part of the cost-benefit analysis. Dr. Rivard responded that at this time the analysis does not address this issue, but focuses on understanding whether DAMs in other jurisdictions have led to more efficiencies. The next step is to understand the unique features of Ontario and how they will impact the responses seen in other markets.

Mr. Kozlik asked for feedback from the Committee on whether the IESO should continue its further study and focused attention on an unconstrained day-ahead market (UDAM) design, noting that to do so would require significant effort by both stakeholders and the IESO.

Mr. Humphries remarked that his constituents focus on what the end result will be and at this time they are not sure that the end is worth going through the process. He also noted that a red flag for his constituents is the comment that an effective day-ahead mechanism requires adjusting industry arrangements such as centrally held contracts and regulation of Ontario Power Generation (OPG) assets.

Mr. Humphries provided a personal perspective. He said that until you have the interval meter, additional DAM demand response benefits cannot be realized. With the information available now, those who wished could achieve about 90% of demand response benefits without a DAM.

Mr. Bentz questioned how a day-ahead market price would incent demand response/load reduction on mass consumers, RPP consumers, a default supply consumer or a consumer who has a retailer. Mr. Kozlik said that a day-ahead market helps those 50-60,000 accounts, which represent 50 to 55% of consumption, that are charged the hourly energy price. He acknowledged that time of use will be a key driver of demand response in relation to the regulated price plan.

Mr. Reeves asked how generators who have Ontario Power Authority (OPA) contracts would participate in the day-ahead market. Mr. Kozlik stated that that the clean energy supply (CES), early mover and, he believed, the combined heat and power (CHP) contracts are conducive to responding to market signals. Certain other contracts being held by the OPA are somewhat removed from market drivers. The challenge will be to figure out how facilities under these other contracts will present themselves to the DAM and keep similar financial and risk allocation arrangements.

In relation to considering the design for DAM, Mr. Lourie asked whether demand response would be primarily a passive response or whether there are things that would be done in the DAM design to facilitate demand response. Mr. Kozlik stated that when it comes to design of

the DAM, the purpose is to make the right market signals available and we are working with the OPA so they can use the market drivers to design them into demand response programs, while providing a financial hedge day-ahead and encouraging response to real time prices.

Based on the presentation Ms. Girvan agreed that further study is required before a decision is made. She also enquired whether the \$16 million cost referenced in the presentation is for the full implementation of a DAM and also enquired about the costs for the continued investigation of UDAM over the next 6 months. Mr. Kozlik stated the \$16 million was based on quotes to build the 2004 design of DAM, and only included IESO costs and not the costs to participants to make the changes in their organization. The costs to study DAM over the next six months include IESO staff resources as well as stakeholders costs to continue to be part of the investigation.

Ms. Girvan noted that the presentation identified concern by generators under contract as well as consumers. Mr. Kozlik confirmed that it is necessary to work OPG and Bruce Power generation into the DAM, and that the “consumer concern” referred to large consumers.

Ms. Girvan does not see the harm in the IESO preparing a price forecast; it would just be another tool to help people participate in the market.

Mr. Bentz asked about the connection between DAM and load-serving entities and whether DAM could survive on its own without market evolution occurring. Mr. Kozlik responded that the DAM design was built with the idea that the IESO would provide the DAM a forecast of default demand. If load-serving entities develop they would take on the role of forecasting default demand. If load-serving entities do not materialize, the system can continue to operate with the IESO forecasting the default demand but the market will not be as effective.

Mr. White commented that in a proper market in addition to demand response, consumers will manage their own consumption and/or purchase hedge products. He noted that Ontario lacks an active secondary market for hedge products. He also noted that not all demand response represents a success, reflecting instead adverse economic impacts. Ultimately the question is whether the options being offered will be of benefit to consumers who have some operational flexibility. At present we lack the detail to assess the consequences of the ability to lock in price day-ahead, which is critical to understanding whether a DAM is an improvement. He is not opposed to further study but the further study could look at different iterations of Option 3 (mandatory or optional participation). In the alternative, there should be a reference for the specification of the day-ahead market that assumes the real world with no contracts, regulations and all consumers represented on an active basis. Mr. Kozlik confirmed that the intent of the DAM is to give consumers more tools and that the IESO does not consider demand response to include demand destruction. Mr. White clarified that in order to understand the dynamics day-ahead and in the real-time market, there needs to be an understanding of who is going to participate in the market, as well as the balance between the DAM and real-time balancing

market. His constituents are willing to tolerate further study but require specifics on the value of UDAM sooner rather than later.

Mr. Horrobin acknowledged the IESO's work to date and commented that the revised schedule is appropriate given the need to continue to do further work and analyze the impact of the day-ahead proposals. It is equally important, however, that work continue on the real-time pricing issues. Mr. Horrobin asked for the implementation date because they are looking at the associated system costs. Mr. Kozlik responded that a high level expectation of the implementation date, if a DAM is approved, is the end of 2009.

Mr. Wight said that the marketer/broker community believes that the DAM is a necessary tool and platform in the market evolution process and commented on the intangible benefits of a DAM as a tool to manage risk and obtain value from the interties. These linkages need to be considered. He commented favourably on the significant effort by the IESO to stakeholder and study the issue.

Mr. MacMillan stated that the trader community supports the day-ahead market. It must be acknowledged that there is imperfect information; the real question is whether there is a reasonable assessment. Mr. MacMillan said that you need to assess where the industry is headed, consider components embedded in the price such as the global adjustment and uplift, as well as the future generation mix, and contract integrity impacts on investment in infrastructure. The economic assessment requires knowledge of where the industry will end up. He supports the revised schedule to allow for appropriate study and consideration.

Mr. Witjes commented that having a more accurate representation of the day-ahead price would be very advantageous for the public service sector consumers running cogeneration facilities for economic benefit.

Mr. Bentz summarized that he was hearing a desire to continue with further analysis of UDAM.

#### **Agenda Item No. 6: SE-36 Corporate Performance Measures**

The IESO corporate performance measures can be found at:

[http://www.ieso.ca/imoweb/pubs/consult/se36/2008\\_Corporate\\_Performance\\_Measures-Revised.pdf](http://www.ieso.ca/imoweb/pubs/consult/se36/2008_Corporate_Performance_Measures-Revised.pdf)

The 2008 corporate performance measures were approved at the November 15<sup>th</sup> IESO Board meeting. Mr. Bentz and Ms. Girvan attended the Board meeting to relay the Committees comments directly to the Board. The "people" perspective was added to the corporate scorecard for 2008 and will measure employee engagement, performance management and talent management. A stand-alone reliability perspective was implemented to highlight reliability as a critical IESO function. Market evolution measures have been integrated into the customer and stakeholder perspective.

**Agenda Item No. 7: IESO Response to Market Surveillance Panel Report**

The presentation by Mr. Robitaille can be found at:

[http://www.ieso.ca/imoweb/pubs/consult/sac/sac-20071205-Item7-MSP Recommendations for SAC.pdf](http://www.ieso.ca/imoweb/pubs/consult/sac/sac-20071205-Item7-MSP_Recommendations_for_SAC.pdf)

In response to Mr. Horrobin it was confirmed that recommendation #2 (the review of the operating reserve policy) will be reviewed at the Market Pricing Working Group. Mr. Cary questioned why recommendation #10 (study of locational marginal pricing (LMP) is closed when the Board advised the IESO to continue to study at a measured pace. Mr. Robitaille responded that the IESO accepted the recommendation and is continuing to study the issue at a measured pace. Mr. Cary asked if there are plans to produce stakeholder engagement plans on locational pricing analysis that reflects the measured pace and also for the outstanding items on the list for which specific stakeholder engagement plans have not been posted. Without further consultation Mr. Robitaille could not confirm whether each item will be individualized through a stakeholder plan.

**Agenda Item No. 8: Day-ahead Commitment Process (DACP) Annual Review**

The presentation by Mr. Robitaille can be found at:

[http://www.ieso.ca/imoweb/pubs/consult/sac/sac-20071205-Item8-DACP Presentation.pdf](http://www.ieso.ca/imoweb/pubs/consult/sac/sac-20071205-Item8-DACP_Presentation.pdf)

Mr. MacMillan asked whether there are any plans to investigate a solution for exports in the DACP process. Mr. Kozlik responded that one of the elements of Options 3 is the improvement of DACP. Mr. MacMillan asked whether improvements to DACP would be considered immediately if there is a negative decision on DAM. Mr. Kozlik responded that this issue would begin to be addressed immediately.

Mr. Hunter from Manitoba Hydro observed that another reason for moving forward on a DAM is that in markets with DAMs 90% of the energy is cleared day-ahead whereas less than 10% is cleared day-ahead under Ontario's DACP. Mr. Bentz asked whether the reduction in import failures had to do with a change in conditions or a reduction in import failures. Mr. Robitaille stated that it is a result of implementing day-ahead import failure charge and real-time import and export failure charges. Mr. Horrobin asked whether it was possible to separate out the reduction due to real-time failure charges versus a reduction due to DACP. Mr. Robitaille said that he could not separate the two because they are tied together. Mr. Horrobin also asked if DACP is a program that should continue in light of a number of other fundamental changes that have taken place since the original decision to extend DACP was implemented and suggested that it should be reviewed in June 2008. Mr. Campbell said that he would consider this question, noting that the Board indicated that DACP should continue until such time as something equivalent to maintain reliability is implemented.

**Wrap up**

Members were reminded that the next Committee meeting is on February 6, 2008 at the Metro Toronto Convention Centre.

The meeting was adjourned.