

IESO Stakeholder Advisory Committee
Minutes of Meeting
October 30, 2008, 9:30 am
Toronto Convention Centre

Advisory Committee Members in Attendance:

Mr. Brian Bentz, Chair (representing Distributors)
Mr. Bruce Campbell (representing IESO)
Mr. Steve Dorey (representing Transmitters)
Ms. Julie Girvan (representing Residential Consumers)
Mr. Richard Horrobin (representing Generators)
Mr. Mike Humphries (representing Embedded Industrial Consumers)
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. Daniel Whyte (representing Generators)
Mr. Gary Wight (representing Marketers/Brokers)
Mr. John Witjes (representing Public Service Consumers)

Advisory Committee Members Absent:

Mr. Bruce Lourie (representing Environmental) - resigned

Presenters:

Mr. Don Tench
Mr. Brian Rivard
Mr. John MacKenzie

IESO Board Members in Attendance:

Ms. Roberta Brown
Mr. Dave Cassivi
Mr. Robert Chiarelli
Ms. Angela Ferrante
Mr. James Hinds
Mr. William Museler
Mr. Paul Murphy
Mr. Rudy Riedl
Mr. Howard Shearer
Mr. John Wiersma

Introduction – Brian Bentz

Mr. Bentz welcomed everyone and called the meeting to order. He acknowledged the attendance of the Board of Directors, thanking them for their attendance.

Mr. Campbell thanked departing members, Mr. Stradling and Mr. Reeves, for their work on the committee and presented them gifts.

Agenda Item No. 1: Senior Management update – Bruce Campbell

(a) Review of Action Items from August 20, 2008 Stakeholder Advisory Committee meeting

Mr. Campbell commented that both action items have been dealt with. For action item 1, a briefing note on the status of the energy forward market has been provided in today's materials.

For action item 2, a list of near term price formation issues has been provided to Committee members and will be posted on the web.

The action items list can be found at:

http://www.ieso.ca/imoweb/pubs/consult/sac/sac-20081030-Action_Items.pdf

(b) Review of the Day-Ahead Price Forecast

Mr. Campbell stated that the potential benefits being seen are consistent with what had been anticipated and the forecast is giving a somewhat better picture of day-ahead pricing.

The briefing note on this can be found at: http://www.ieso.ca/imoweb/pubs/consult/sac/sac-20081030-Item1_SAC_Note-DAPF.pdf

The performance report can be found at: http://www.ieso.ca/imoweb/pubs/dapf/Day-Ahead_Price_Forecast-Performance_Report_2008Q3.pdf

Mr. Horrobin asked how many people are using the forecast and what feedback is the IESO getting. Mr. Campbell answered that though the IESO cannot determine the specific use being made of the information, the web site is getting 70 hits a day.

(c) 18 Month Outlook

Mr. Campbell indicated the latest 18-month Outlook came out in September and it shows a good picture in terms of resources available over the period. He added that a key item in the brief is that the IESO is contemplating changing the frequency of publishing the 18-month Outlook. The proposal is to produce the Outlook twice a year with interim reports. Stakeholder consultation is occurring and any changes in reporting frequency will require Board approval.

The briefing note can be found at: http://www.ieso.ca/imoweb/pubs/consult/sac/sac-20081030-Item1_18-Month_Outlook.pdf

(d) Smart Metering and MDMR

In addition to the reporting note, Mr. Campbell said the recent software releases are testing well. He added that the MDMR is processing data for about 50,000 meters on a daily basis. The process is working well, and Newmarket and Milton are moving their systems over to the MDMR. A major software fix will go in at the beginning of the year and this should be the last big step prior to ramping up enrolment of the LDCs.

The briefing note can be found at: http://www.ieso.ca/imoweb/pubs/consult/sac/sac-20081030-Item1_Smart_Metering.pdf

Mr. White asked when stakeholders will see an accounting of the MDMR charge. Mr. Campbell responded that the Minister has asked for a review of the planned implementation schedule for the smart meters and that this review is to be conducted prior to the IESO going forward with a rate application to the OEB. The IESO will also require OEB approval of the smart meter entity LDC contract for the operation of the MDMR.

Mr. Campbell stated that the overall price going into the project for building and operating the MDMR for four years was just under \$80-million and remains on budget.

Mr. White asked on the status of IESO activities regarding the Minister's supplementary directive to the OPA to review the deployment and utilization of smart meters. Mr. Campbell said that the IESO will follow up with the OPA regarding its information needs as to how best to use smart meters to achieve policy objectives and that within the IESO the focus is to get the MDMR up and running.

Mr. Bentz asked if the IESO assessment of the new release of the software indicated it met all the requirements set out in the original RFP. Mr. Campbell responded that there should be no reduction in functionality for LDC billing.

Ms. Girvan asked if there was a target date to have time-of-use pricing in place for the 13 utilities with smart meters in place. Mr. Campbell answered that he was not aware of a fixed schedule on this.

(e) Smart Grid Initiative

Mr. Campbell directed members to the briefing note and pointed out that the presentations to the Smart Grid forum are posted on a regular basis. The schedule calls for the forum to complete its work and issue a report early in 2009.

The briefing note on this can be found at: http://www.ieso.ca/imoweb/pubs/consult/sac/sac-20081030-Item1_Smart_Grid_Forum.pdf

(f) Impacts of Embedded Generation on the Grid

Mr. Campbell stated that this initiative is an important development in terms of streamlining and building processes that incorporate this generation in an efficient and reliable way. Embedded generation is not seen at the IESO grid level and as more embedded generation comes into place, there needs to more visibility as it could have impact on the operation of the grid. The focus of this work is to make sure the IESO is efficient, cost effective and is not a barrier.

The briefing note on this can be found at: http://www.ieso.ca/imoweb/pubs/consult/sac/sac-20081030-Item1_Embedded_generation.pdf

Mr. White asked if the IESO had a threshold for real-time operational data and why the IESO would care about behind-the-meter load displacement generation. Mr. Campbell replied that these are the type of questions to be looked at under this initiative.

(g) Progress on Energy Forward Market

Mr. Campbell, in addition to the briefing note, emphasized the IESO has explored the possibility of having an NGX-type market run by a third party and whether there could be significant prudential savings with this. Working with the support group, to date the conclusion is that it is unlikely that there would be significant prudential savings with a third party market.

The briefing note on this can be found at: http://www.ieso.ca/imoweb/pubs/consult/sac/sac-20081030-Item1_SAC_Note-EFM.pdf

Mr. McMillan asked if the IESO would administer an Energy Forward Market (EFM) if it was created. Mr. Campbell answered that it was not decided.

Mr. Witjes commented that experience within the university sector over the last three years is that they may transact once or twice a year on a particular forward market.

Mr. Horrobin asked what participation has the IESO seen from the loads on the EFM working group. Mr. Tench responded that the loads have not participated in the working group to date. Mr. Horrobin then asked if the IESO saw this as an impediment for a successful EFM. Mr. Campbell responded that at some point, the IESO will need to be more proactive in getting input from the loads.

Additional items from Senior Management

Mr. Campbell also mentioned three additional informational items for members:

The first item was that the IESO annual fee application went to the OEB on Monday.

The second item was that stakeholders may be contacted in connection with the IESO customer survey - there are two components to the survey, a web-based survey and telephone interviews - and stakeholder assistance in conducting these surveys will be gratefully appreciated. The survey provides valued input regarding customers' perception and where the IESO should be putting its efforts.

The final item was that the annual review of the operation of the day-ahead commitment process will not be done this year. The IESO has redirected resources that would otherwise be used in this review to work on the implementation of an enhanced day-ahead commitment process. Mr. Campbell said that if stakeholders had any concerns about this they should contact him directly.

Agenda Item No. 2: Appropriate cost-benefit decision criteria for the Ontario Electricity Industry

Mr. Rivard solicited input on a paper on the decision criteria to be used when the IESO is looking at changes to the market rules, market procedures or market design, as well as the criteria to be used when comparing the potential costs and the benefits of proposed changes. The issue of using peak or average demand forecast, on which the IESO will make a decision on or about December 17, was presented for illustrative purposes.

Mr. Rivard asked members to provide input on relevant decision criteria, in order to revise the paper and present it at the next Advisory Committee meeting. If there is general agreement on decision criteria the IESO will use the criteria in its decision on the peak vs. average issue. If not, the IESO will continue its work on decision criteria.

Mr. Rivard's presentation along with the paper and the Townley Report can be found at: http://www.ieso.ca/imoweb/consult/stakeholder_ac_meetings.asp

Mr. Wight asked how the effect of energy policy and competitive market principles factor into this particular cost-benefit analysis. Mr. Rivard answered that in each case we try to understand the efficiency and net impacts on all participants from a particular change. If there is an understanding about how a change would allow additional benefits then this could be factored in.

Ms. Girvan asked how the impacts on stakeholders were derived. Mr. Rivard responded that data from 2006 was used under various market conditions. Simulations and modeling were used to estimate the impacts of using average demand in different hours. Impacts include

getting more or less imports or exports, how this would change generation and how this would lead to different prices. The model then calculates different surplus measures. For generators this would represent the changes in profits. For consumers, it would represent the change in their willingness to pay a particular price. The consumer surplus represents the difference between what consumers are willing to pay and the price they did pay.

Mr. Girvan then asked how you measure what consumers are willing to pay. Mr. Rivard replied that an inelastic demand is assumed so any impact on consumers would be at the higher price. Mr. Rivard added that this is a very conservative assumption and understates the potential efficiency as there is more responsiveness in the Ontario demand.

Mr. Dorey asked when there are trade offs between reliability and efficiency, would we try to measure and quantify the reliability impacts and look at who they would impact. Mr. Rivard responded that the IESO would do its best to measure reliability impacts as in the regional reserve sharing case. In doing this the IESO links the benefits to the consumers.

Mr. Whyte questioned the application of the balancing weights approach and whether it is a do, or do not do approach. Mr. Rivard replied based on the input of Professor Townley it made sense to use just one weight in the electricity industry.

Mr. Bentz asked how relative wealth is weighted. Mr. Rivard responded that in the merger case analysis there are a variety of factors which can be considered. The point is that distributional impacts need to be considered. In relation to the electricity industry if you have a general agreement to a particular weighting factor it would represent progress.

Mr. Horrobin asked if it was appropriate for the IESO to determine winners and losers in its economic assessment and are we extending the mandate of the IESO into the OEB's jurisdiction. He also asked what would happen if, as a consequence of the analysis that is undertaken, the IESO rejects a proposal that actually results in or would have resulted in an efficiency gain? What recourse do the supporters of that proposal have? Mr. Rivard responded that ultimately the IESO has to make the decision on making a change and some guidance on distributional issues is good although Mr. Rivard agreed that distributional issues are within the OEB's mandate. With respect to recourse, Mr. Rivard indicated that if a market rule change is implemented, recourse is to the OEB.

Mr. White stated that using this as a decision tool to help the IESO make decisions about specific issues was going to be problematic as consumers are impacted differently depending on their location and characteristics. Mr. Rivard agreed that different consumers are affected differently, the same as different generators would be affected differently. The purpose of the weight is to identify that class of consumers that have negative impact. Mr. White responded that it is difficult to get consumer specific data as there is no consistency of customer data from the LDC's and the theory is difficult to apply.

Mr. Whyte commented that this criterion would help in leadership decisions which come from the IESO Board. This is one more tool for the IESO Board to use in making decisions. No less, no more.

Mr. Wight added that the cost benefit approach provides discipline but it should not have veto power. Sometimes business decisions are made on the basis of strategic value.

Mr. Bentz concluded the discussion, noting that some unfiltered feedback has been given to the IESO which is looking forward to additional feedback over the next month and that this topic will be discussed again in December.

Agenda Item No. 3: Exploration of enhancements to dispatch methodology and processes – Reporting on findings

Mr. MacKenzie gave an update on Stakeholder Engagement Plan-61 on dispatch methods. He presented the background on the initiative, described the initial phase of information gathering in which individual discussions were held with stakeholders and the next steps on how to move forward on the findings.

Mr. Mackenzie's presentation can be found at:

<http://www.ieso.ca/imoweb/pubs/consult/sac/sac-20081030-Item3.pdf>

Mr. Bentz asked if the IESO tracks erratic dispatches and dispatch errors and if statistics were kept. Mr. MacKenzie said that this data is tracked.

Mr. Whyte asked if the reported problems by generators have been tested, if the complaints have been confirmed, if advisories do not turn out to be true, and if non-contracted Automatic Generation Control resources are being deployed. In reply, Mr. Finkbeiner confirmed that the current advisories are not the best indication of what generators are going to be doing. Much of this relates to discrepancies between what the DSO (Dispatch Schedule and Optimization) has received as an input and what happens in real time, as in the case of self schedulers or failed transactions.

Mr. Horrobin raised concern over the sufficiency of IESO resources to dedicate to projects other than DACP related initiatives. He noted that this dispatch initiative started in March 2008 and asked if the report in the spring of 2009 will lead to a call for further investigation and study or whether there will be a work plan which will actually see solutions to some of the issues that have been raised. Mr. Mackenzie responded that in the short term, the IESO is working with participants on specific solutions to specific problems. In the spring of 2009, the IESO work plan will be looking at the longer term issues.

Mr. Wight provided additional feedback from some generators regarding the lack of progress on this initiative and their desire to see an action plan. Mr. MacKenzie responded that unit specific issues may be addressed individually but that some of the other issues such as 15 minute dispatch are longer term and will take more time.

Mr. Cary on behalf of Sithe Global added that the issue has been around for many years with combined cycle plants. With more units planned for Ontario, this will become a larger issue moving forward. He said that the OPA has approached IESO to get rules adapted for peaking generation and he emphasized the need for a commitment to resolve this issue.

Agenda Item No. 4: Discussions on process for setting priorities on studies of market design change initiatives.

Mr. MacKenzie presented the prioritization model. He requested that members let him know if there were any issues that should be added to the list.

Mr. MacKenzie's presentation along with the Report can be found at:
http://www.ieso.ca/imoweb/consult/stakeholder_ac_meetings.asp

Mr. White asked what the cost was for a typical study. Mr. MacKenzie responded that there was no typical cost amount.

Mr. White said that the biggest issue seems to be the allocation of resources; while the method proposed may help rank the issues on the list, it will not determine whether the list of projects is the right list. He suggested the IESO should study all of the issues to inform the prioritization of which issues would move forward to implementation. Mr. Campbell responded that it is very cost effective to do an initial triage. In this regard the IESO is asking if it has identified the right factors to undertake this triage.

Mr. Wight asked where energy policy would be weighted in the priority setting.
Mr. MacKenzie responded that it is incorporated into different criteria such as sustainability.
Mr. Campbell welcomed input to improve the methodology.

Mr. Whyte added that he thought the IESO was asking the wrong people, as this is a question that should first be asked of the Board of Directors. If the Board or government request studies, this will take priority over suggestions from stakeholders, who should be asked, "Given what government has charged the IESO to do, is it doing it the right way?"

Mr. Campbell responded that the IESO get recommendations from various stakeholder groups and from the Market Surveillance Panel. Active stakeholder involvement regarding priority setting is valuable.

Mr. White said it was difficult to comment on the order of issues without any information on the effect on efficiency or reliability. He suggested that all of the issues should be studied at least on a pre-feasibility study basis.

Mr. Bentz stated the fundamental issue was the role of the Committee and how it fits into the governance of the IESO as advisors. He added that another issue is resourcing and the need to make informed decisions. In order to make informed decisions one needs to invest in resources to do the studies.

Mr. McMillan cautioned about adopting too mechanical a process. He thought that the Committee could identify the top 10 issues without the need for studies.

Mr. Campbell agreed that a certain amount of detail on the issues is needed. What the IESO is looking for is whether the Committee is interested in proceeding with this methodology.

Agenda Item No. 5: Other Business & Wrap up

The next meeting is scheduled for December 3, 2008.

The meeting was adjourned.