

IESO Stakeholder Advisory Committee Meeting Minutes

DATE: Wednesday, March 31, 2010

LOCATION: Toronto Congress Centre

Advisory Committee Members in Attendance:

Mr. John Witjes - Chair (representing Public Sector Consumers)

Mr. Brian Bentz - Past Chair (representing Distributors)

Mr. Bruce Campbell (representing IESO)

Ms. Julie Girvan - Vice-Chair (representing Residential Consumers)

Mr. Richard Horrobin (representing Generators)

Ms. Adèle Malo (representing Marketers/Brokers)

Mr. Mark Schembri (representing Commercial Consumers)

Ms. Ersilia Serafini (representing the Environmental Sector)

Mr. Wayne Smith (representing Transmitters)

Mr. Adam White (representing Wholesale Consumer Market Participants)

Mr. Daniel Whyte (representing Generators)

Mr. Gary Wight (representing Marketers/Brokers)

Mr. Todd Wilcox (representing Distributors)

Mr. John Williams (representing Embedded Industrial Consumers)

Presenters:

Mr. Neil Campbell

Mr. Don Tench

Mr. Brian Rivard

IESO Board Members in Attendance:

Mr. James D. Hinds – Chair

Mr. Rudy G. Riedl

Ms. Roberta S. Brown

Mr. David Cassivi

Ms. Angela Ferrante

Mr. Paul Murphy - President and CEO

Mr. Howard Shearer

Mr. John Wiersma

Agenda Item #2: Welcome – Mr. John Witjes

Mr. Witjes, Chair of the Stakeholder Advisory Committee, welcomed everyone and called the meeting to order. He acknowledged the IESO Board of Directors, thanking them for their attendance.

Mr Witjes welcomed the four new Stakeholder Advisory Committee members, Ms. Malo (replacing Mr. Paul McMillan), Mr. Smith (replacing Mr. Steve Dorey), Mr. Wilcox (replacing Mr. David Collie) and Mr. Williams (replacing Mr. Michael Humphries).

Agenda Item #3: IESO Senior Management Update – Mr. Bruce Campbell

(a) Navigator report on results from the annual Customer Survey

The briefing note is available at: <http://www.ieso.ca/imoweb/pubs/consult/sac/sac-20100331-Item3a-Navigator-report.pdf>

Mr. B. Campbell conveyed his thanks to all of those who participated in the annual Customer Survey, and noted that the results are considered carefully by management in our planning. Overall, the IESO is pleased with the results.

(b) MDM/R / Smart Metering update

The briefing note is available at: <http://www.ieso.ca/imoweb/pubs/consult/sac/sac-20100331-Item3b-MDMR-Smart-metering.pdf>

Mr. B. Campbell mentioned that there are more and more Local Distribution Companies (LDCs) in the production environment with the Meter Data Management Repository (MDM/R), and overall the plan to switch consumers to time-of-use rates is on track. He added that there is a lot of work being done in training and support for LDCs, and that the software is in a state to fully support smart meters across the province.

Ms. Girvan asked about the status of two LDCs in the first thirteen LDCs to move forward, to which Mr. B. Campbell could not provide additional detail besides stating that they were slightly behind the original schedule.

Mr. White asked two questions about web-presentation of data, and about third-party access to MDM/R data. Mr. B. Campbell stated that LDCs and the Electricity Distributors Association (EDA) have taken on the obligation of ensuring that every LDC has web presentation capability for their customers. He went onto to respond that the rules around third-party access have not been worked out yet and further consultation will be needed.

Mr. Schembri asked about the availability of data from interval-metered accounts when time-of-use rates are implemented, and if tools such as MV-90 and pulse systems will still be available. Mr. B. Campbell stated that he has not heard of any change to data availability for interval-metered customers relating to web presentation of time-of-use data.

(c) IESO response to MSP report

The briefing note is available at: <http://www.ieso.ca/imoweb/pubs/consult/sac/sac-20100331-Item3c-IESO-response.pdf>

Mr. White asked about timing of a market rule amendment relating to Recommendation 3-4. Mr. B. Campbell stated that the amendment should be expected before the Technical Panel on May 11.

Mr. Wight asked about the operational date for the phase-shifters referenced in Recommendation 3-2. Mr. B. Campbell responded that both the IESO and Hydro One are working with their American counterparts to get the phase-shifters operational. Mr. Whyte added that the owner has a rate case to be launched within a few days.

Agenda Item #4: Market Surveillance Panel Report – Mr. Neil Campbell

Mr. N. Campbell's presentation is available on the web at:

<http://www.ieso.ca/imoweb/pubs/consult/sac/sac-20100331-MSP-Report.pdf>.

The full Market Surveillance Panel Report is available at:

http://www.oeb.gov.on.ca/OEB/Documents/MSP/msp_report_201001.pdf

Mr. N. Campbell mentioned that the Ontario Energy Board (OEB) will be posting an ad seeking new Market Surveillance Panel members shortly, as two current panellists are approaching their final term limits. He acknowledged the support the panel receives from the market assessment unit within the IESO.

Mr. White asked whether there are efficiency losses being induced by inaccurate targeting of the DR3 program, and whether there are changes planned to increase its efficiency. Mr. N. Campbell responded by stating that although it is difficult to put a precise value on foregone load consumption and the alternative cost of additional peaking generation, efficiency has been analysed in previous panel reports. Further, he stated that technical changes were made in September 2009 with the addition of a pre-dispatch price trigger, and that the Ontario Power Authority (OPA) may know more about the current and future plans for the program.

Mr. White also asked about uplifts in the Northwest and whether the Market Surveillance Panel would recommend that the IESO revisit locational marginal pricing. Mr. N. Campbell responded that the Panel continues to believe the original plan to evolve to locational marginal pricing would be a more efficient way to operate the Ontario market. He added that another form could be a hybrid consisting of locational prices for dispatchable resources and an hourly provincial average for all non-dispatchable loads.

Mr. Wight asked if the Panel would consider a full study of the global adjustment. Mr. N. Campbell stated that the panel has done some work on the global adjustment in the past, however the Panel is concerned that much of the effective price is not contained in the price signal. The Panel will continue to consider what contributions it can make on the topic, in light of its own limited resources and the work undertaken by the IESO.

Agenda Item #5: Ontario's Smart Grid – Mr. Don Tench

Mr. Tench's presentation is available on the web at:

<http://www.ieso.ca/imoweb/pubs/consult/sac/sac-20100331-Ontario-Smart-Grid.pdf>

The Ontario Smart Grid Forum homepage is at:

http://www.ieso.ca/imoweb/marketsandprograms/smart_grid.asp

Mr. Tench mentioned that after the introduction of the Green Energy and Green Economy Act was introduced, the Forum was paused, and then reconvened in the summer of 2009 to look at the next steps for a Smart Grid in Ontario. Two members were added to the Forum, David Collie from the Electrical Safety Authority and Craig Martin from TransCanada Pipelines. Jim Huntingdon replaced David Collie as the LDC representative.

Mr. Tench responded to Mr. White's question about the role of energy consumers in the Smart Grid process, by stating that the Forum is developing "Corporate Partners", as a separate group that would include many other aspects of the industry, including consumers. Mr. Murphy added that it is important to engage those who are investing in smart grid applications for consumers, and while there is a representative for commercial consumers on the Forum, if there are ideas for better consumer representation, they will be considered.

Mr. Schembri added that he agrees with the importance of end-use consumers contributing to the progression of a smart grid, and asked if LDCs will be sharing information and advancing customer needs in a uniform approach. Mr. Tench agreed that broad coordination is necessary, and that the OEB should play a role in this.

Agenda Item #6: Allocation of Global Adjustment – Mr. Brian Rivard

Mr. Rivard's presentation is a follow up from the Stakeholder Advisory Committee meeting on October 28, 2009, and is available on the web at:

<http://www.ieso.ca/imoweb/pubs/consult/sac/sac-20100331-Allocation-of-Global-Adjustment.pdf>

Mr. Rivard presented the analysis the IESO completed on the Global Adjustment, which was done in consultation with the OPA, Association of Major Power Consumers in Ontario (AMPCO) and others. Further, the analysis has been shared with the Ministry of Energy and Infrastructure.

Mr. Schembri asked about setting the minimum service size for the allocation of global adjustment. Mr. Rivard answered that the implementation threshold is being looked at, specifically the megawatt threshold and the transition period.

Mr. Whyte observed that with the implementation of a smart grid, this is an example where customers will be able to use price signals.

Ms. Girvan suggested taking a number of her questions off-line but asked about the consequence of overall demand increasing and if other alternatives were looked at. Mr. Rivard responded that peak demand will be reduced, that higher demand in non-peak hours will be useful to utilize contracted resources, and that while they were open to other options for analysis, they all seemed to fall within the class of a coincident peak or time-of-use.

Ms. Girvan further asked how consumers would be informed in the absence of critical peak pricing. Mr. Rivard stated that this is an opportunity for consumer education, and Mr. B. Campbell added that most system peaks can be found in the summertime. Mr. White added that days with a smog or hot weather alert would be candidate for system peak days, and customers receive that info from many sources. Ms. Serafini echoed that in a jurisdiction trying to create a culture of conservation, a model that decreases demand overall would be preferable. Mr. White added further that increased demand could help alleviate surplus baseload conditions, and lower system peaks is the preferable environmental outcome, which will lead to less reliance on fossil fuels.

Mr. Horrobin asked if the models were stress tested for a range of different demand scenarios or price scenarios. Mr. Rivard stated various demand scenarios were looked at, but not different demand shapes, and further stress testing could be considered in the future.

Mr. Rivard responded to Mr. Wight's question on implementation timelines by stating that they are still to be determined, and they are working with the Ministry on timing.

Agenda Item #7: Sector Discussion on Priority Items for the Ontario Electricity Market

Mr. Witjes asked for each sector to have a five-minute opportunity to share with the Committee some of the issues affecting them.

Mr. Bentz noted the challenges of managing upward price pressure on consumers in light of the increasing costs of conservation and distributed generation; the pending implementation of the Harmonised Sales Tax; the implementation of Time-of-Use pricing; and potential Ontario Power Generation (OPG) commodity and Hydro One transmission rate increases. He stated that consumers need greater price transparency and tools to respond effectively to these challenges. He further indicated that the smart grid itself and the definition of smart grid priorities are essential requirements because the grid needs to be ready to properly integrate renewable energy and conservation.

Mr. Wight read a prepared statement for his presentation which can be found here: <http://www.ieso.ca/imoweb/pubs/consult/sac/sac-20100331-Marketers-Brokers.pdf> In his conclusion, Mr. Wight stated that if the IESO cannot support market evolution, then the retailer, marketer, and broker community is not sure if it has a role to play in Ontario.

Mr. Smith discussed the cost pressures due to enabling distributed generation and investing in transmission infrastructure. He referenced a Federal Energy Regulatory Commission (FERC) Notice of Proposed Rulemaking to use North American Electric Reliability Council (NERC) rules down to a 100kV threshold, which would add costs without providing much value back to consumers, and suggested the OEB should consider remanding the rule.

Ms. Serafini suggested that the Stakeholder Advisory Committee should continue to articulate the future vision for the electricity sector, and avoid getting bogged down with reactionary issues, so that key initiatives get pushed forward, like the integration of renewable energy and energy storage.

Mr. Williams referenced three key issues: solving the issues around the global adjustment, a desire for increased price transparency such that total bill impacts are known and can be budgeted for, and affordable electricity - especially compared to neighbouring jurisdictions. Mr. Williams added that his sector supports the Coincident Peak model as the best solution to the Global Adjustment.

Mr. White discussed the opportunities on the demand side for loads when the appropriate price signals are developed and when meter data is made available. He continued that the increasing costs are borne by consumers and added the opportunity for education in terms of environmental performance and improved reliability. Mr. White also advocated for pursuing locational marginal pricing and rationalization of distribution companies to increase efficiency.

Ms. Girvan commented on the lack of customer education in the sector and the many sources of increased costs that will be borne by consumers.

Mr. Whyte discussed the near total contracted supply market in Ontario, stated that the IESO should be pursuing initiatives on the demand side not the supply side to reflect this reality, and implored the IESO to pursue those relevant items at the sense of urgency that they demand.

Mr. Horrobin expressed concern at the current price signals in the Ontario market, and that they need to be more effective in the future. The issue of surplus baseload generation also needs significant attention, and how different generators can be engaged to provide solutions.

Mr. Schembri brought up four main points: the relationship between the global adjustment and the provincial benefit billing causes significant cash flow issues; there are significant untapped

conservation and demand management opportunities in the commercial sector; the Feed-in-Tariff (FIT) program provides significant opportunities, but obstacles need to be removed (specifically capacity-exemptions and onerous paperwork); and there is an opportunity for the IESO to provide more timely information on the carbon-intensity of electricity generation. Mr. Schembri provided a slide deck which can be found here:

<http://www.ieso.ca/imoweb/pubs/consult/sac/sac-20100331-Commercial.pdf>

Mr. Witjes echoed the previous comments on increasing prices and the need for effective price signals. He expressed concern with inability to hedge against electricity prices due to the global adjustment which could be somewhat diminished by increased transparency.

Agenda Item #8: Other Business

Mr. Whyte requested an update on the dispatch of existing wind generators and the discussions with the OPA. Mr. B. Campbell responded by providing some background to the issue, and stating that the expectations of the IESO were outlined in the memo that Ken Kozlik sent to all Renewable Energy Supply (RES) contract holders. Further, Mr. B. Campbell noted the discussions with RES wind generators, the OPA and the IESO were ongoing, and would include gaining a better understanding of the operational requirements and limitations of various wind farms.

Agenda Item #9: Wrap-up and Adjournment – Mr. John Witjes

Mr. Witjes stated that the next meeting is planned for June 2, and the joint meeting with the IESO Board is scheduled for June 16. Mr. Witjes thanked all Committee members for attending.

Mr. Murphy thanked the Committee members for their thoughtful comments which will be used to inform discussions at the IESO Board.

The meeting was adjourned.