

# IESO Stakeholder Advisory Committee

TO: IESO BOARD OF DIRECTORS

DATE: SEPTEMBER 9, 2011

FROM: STAKEHOLDER ADVISORY COMMITTEE

SUBJECT: BRIEFING NOTE

The purpose of this memorandum is to update the IESO Board of Directors on the highlights of the discussion from the August 17, 2011 Stakeholder Advisory Committee meeting. All members of the Stakeholder Advisory Committee were in attendance at the session with the exception of Ms. Adèle Malo, and Mr. Jack Burkhom, both representing Marketers/Brokers.

The IESO Board Members in attendance were:

Mr. Tim O'Neill – Chair	Ms. Roberta Brown	Mr. David Cassivi
Ms. Angela Ferrante (teleconference)		Ms. Tricia O'Malley
Mr. Paul Murphy	Mr. Rudy Riedl	Mr. Howard Shearer
Mr. John Wiersma		

As always, the Committee appreciate the attendance of Board members at the Committee meetings.

## **Agenda Item No. 2: Senior Management Update**

Mr. Campbell provided updates and briefing notes on a number of items that are posted. In addition further details on the discussion can be found in the posted meeting minutes.

### **Renewable Integration Initiative**

Mr. Campbell mentioned how quickly wind and solar investment in Ontario is coming in and that the IESO will have to ensure the resource match up.

Mr. Horrobin asked for more specificity in terms of the change in timelines for Renewable Integration Initiative, and whether the IESO will be re-forecasting its Surplus Baseload Generation (SBG) forecast due to wind. Mr. Campbell responded that SBG is forecasted in the 18-month Outlook. As for the change in timelines for Renewable Integration Initiative, the IESO is now stretching the program into 2013, consistent with the stretching of renewable in-service dates. Mr. Horrobin then asked whether the IESO will reforecast the SBG outlook, and if it currently sits at 15 per cent of all hours are expected to be SBG hours. Mr. Campbell responded that exposure to Surplus Baseload Generation will probably be higher than that. Mr. Horrobin asked if it would be higher at twenty percent of all hours (a fifth of all hours), and whether there will be a coping strategy for SBG given the delays in the Renewable Integration Initiative. Mr. Campbell replied that the IESO is continuing to move forward on wind dispatch issues. That effort is still proceeding and will get more attention as fall comes on.

**Agenda Item No. 3: Electricity Market Forum (George Vegh)**

Mr. Wilcox asked whether there has been any discussion surrounding the challenges for communicating with demand-side of the market, as there have been a number groups communicating. Mr. Vegh confirmed that not having one single coordinated response is one of the challenges. The Forum has mainly focused on looking at conservation and demand response programs by the Ontario Power Authority (OPA), IESO and the role of LDCs. The Forum has been addressing how OPA contracts can be more responsive to market activities.

Mr. Witjes asked Mr. Vegh to comment on the schedule and if the Forum is on track in terms of the recommendations coming in near November. Mr. Vegh confirmed that the Forum is on schedule and that they are currently looking at the options, and expects to finish by end of the month. The September to November deadline may slip into December. A meeting is scheduled in November to discuss recommendations, but time has been built in for the possibility for another recommendations meeting. The Forum is aiming for the end of the year.

Ms. Girvan asked for further explanation in terms of what happens to the recommendations once they are issued. Mr. Vegh responded that where the recommendations will go will be determined on strength of recommendations and how broadly they are accepted. The Forum has had the participation of the OPA, Ontario Energy Board, and IESO as a “reality check” and to get a consensus on that practicality of the recommendations. However, none of the recommendations are self-executing, as the IESO for example, has its own decision-making process.

Mr. Witjes added that the Stakeholder Advisory Committee agenda items are driven by the Committee, and would certainly like to continue receiving updates on the Market Forum.

**Agenda Item No. 4: 2012-2014 IESO Business Plan (Ted Leonard)**

Mr. Murphy provided opening remarks on the 2010-2014 IESO Business Plan presentation which are noted in the minutes.

Mr. Witjes, on behalf of the Public Service sector, offered comments from his sector. His sector is happy that the IESO has had more engagement with consumers, for example the Class A consumer sessions for Global Adjustment were very helpful. His sector also finds the information on the IESO’s website helpful and makes use of it on a daily basis. Mr. Witjes hopes to see more of the same education and engagement in the future.

Mr. Leonard clarified that additional engagement the IESO is planning for consumers is not going to come at the expense of other customer classes.

Ms. Serafini on behalf of the environmental sector, expressed support for the expansion of greater consumer engagement, however she cautioned the continued concern of agency

overlap. There needs to be a framework for that, and role that has a mandate for greater customer engagement. Mr. Leonard responded that in terms of consumer engagement, the IESO expects to continue to work efficiently with other agencies, LDC community and government.

Mr. Martin, on behalf of Generators, expressed support for the majority of the IESO's objectives and plans. He is pleased to see the upcoming stakeholder work on Control Action Operating Reserve and transparency, and appreciate that their comments were incorporated. With respect to the proposal to expand strategic objectives to include engagement of consumers, he questions how the Committee could evaluate this proposal. As IESO fee is remaining flat; consumer engagement will not be at the expense of other customer participants; and there will be an increase in resource competition within the IESO, how do we know that is where the IESO should be spending their time.

Mr. Leonard noted that flexibility is key, and as the consumer becomes increasingly important, the IESO believes that it needs to at least explore options in 2012. He mentioned that from a resourcing perspective, it's not a large amount of resources.

Mr. Murphy added that the IESO is not exactly adding strategic objective in his view. One of the IESO's existing objectives is to adequately prepare for the future. In doing the evaluation, Committee members can ask: Can the IESO adequately prepare for future if they ignore the demand side. Mr. Martin countered that he is not proposing the IESO should be ignoring the demand side. Rather than asking Committee to endorse engagement with consumers, he suggests explaining the cost benefit analysis of what benefits could be gained from engaging in consumers and what it will cost the IESO.

Mr. Campbell added that the IESO is doing a lot of work to manage the change of asset mix on the supply side. The industry is seeing the same kind of change the consumer side and, just as with the generators, the IESO needs to address how consumers actions can facilitate reliable and efficient operation of the power system.

Mr. Schembri commented that the IESO should focus on what benefits can be derived from the next layer of customer class (below 5 MW). The commercial sector believes that they can start participating in the market at the level the large industrials are and the system will benefit from the involvement. In terms of taking the engagement down to the residential level, the LDCs play a strong role and will continue to play a strong role.

Mr. Williams offered his agreement with Mr. Schembri - his members are also interested in the 5 MW threshold being lowered. He also offered, that although Committee is not in a position to run the IESO, he questions the flat fee. The initiatives mentioned drive more costs, especially the IT initiatives, and suggests looking at a fee increase for 2012.

Mr. White asked how the strategic objectives can be used to measure performance against objectives, as the objectives stated do not articulate outcomes.

Mr. Campbell assured that in terms of performance, the IESO is subject to a comprehensive performance evaluation that covers all of the objectives. The IESO posts on its website quarterly, updates against the corporate objectives, many of which are measurable and quantified.

Mr. Wilcox echoed Mr. William's concern on the issue of a fee increase. He questions whether a flat fee would compromise the IESO's business today or the ability to execute its planned objectives over the next few years. Mr. Wilcox also supports engaging the customer, but is concerned about what it is the IESO wants them to do. It is necessary to find out before getting in the engagement process.

Mr. Ferguson provided an analogy of the consumer engagement discussion to the exploration of oil. He suggested that oil exploration, as with the customer engagement exploration, the IESO has to determine whether there is something real there and what could be expected in outcome. He agrees that consumer engagement cannot be ignored.

Mr. Horrobin recognizes that the IESO is in a tight resource constraint environment. His concern is the continued delay due to resource constraints for current projects and the resulting moving back of timelines. Specifically he is referring to the timeline for Renewable Integration. He suggests address these concerns and completing ongoing initiatives before more is begun.

A member of the floor, Mr. Rob Cary (Goreway Generating Station), provided a comment on the IESO's information publications. He commented that due to staff changes, he has noticed that the IESO has put less emphasis on the publication of information, specifically the quality and timeliness of it. He emphasized that the information is important to stakeholders and hopes it will receive ongoing attention.

#### **Agenda Item No. 5: EDAC (Rhonda Wright-Hilbig)**

Mr. Martin thanked Ms. Wright-Hilbig for acknowledging the generator sector's efforts in the EDAC project. Generators have asked him to share that the market trials have not been going smoothly, and he inquired as to how late the EDAC Settlements phase of the Market Trials are running. Ms. Wright-Hilbig responded that the Settlements Trials are three weeks late from the scheduled shared with stakeholders in June.

Mr. Martin asked Ms. Wright-Hilbig to confirm whether or not the market trials are going well.

Ms. Wright-Hilbig responded that it is the first time the IESO has provided an integrated system for participants to interact with. The IESO provided a cautionary note in the beginning of the year to participants that the testing system is not an environment to test their strategy in, only to test their automatic processes. Some participants found the test cases very useful, but some participants have difficulties with the statements that are coming out of the system, as they do not completely execute the full breadth of the charges.

Mr. Martin stated his constituents are concerned that once the IESO Board makes a decision to go live on October 12, there is no other possibility to change the date. His constituents want to make the IESO Board aware at this stage, that testing is not going well currently. He added that they feel their wish to test the system is potentially sacrificed for the Oct 12 deadline. Mr. Martin asked what factors are required in order for the IESO to delay the October 12 implementation recommendation to the Board.

**Operations Report (Kim Warren)**

Mr. Horrobin congratulated Mr. Warren and his staff for a great job on a tough day. Given the extreme day, the third highest demand day of all time, Mr. Horrobin asked whether the electricity prices were reflective of an extreme day. Mr. Warren answered with details on the prices and operation details which can be found in the minutes.

Mr. Horrobin asked that with 325 MW of DR3 and 109 MW of PeakSaver response, whether consumers respond as expected and whether the pricing signal effective. When looking at PJM, peak prices there were 50 per cent higher than in Ontario. Mr. Warren said he did not have the details on what specific loads did during this time. He also indicated that at present the IESO does not yet have access to distribution based generation data which could distort consumption patterns.

Steve Burnham from RBC Capital Markets (on the phone), asked whether activating the Lennox unit during the heat wave was an IESO action. Mr. Warren reiterated that Lennox was prepositioned early in the week. Mr. Burnham further asked whether generators are compensated when they are pre-warming and if there is anyway stakeholders can know when that is happening. Mr. Warren confirmed that they are compensated. As for whether stakeholders will know when this is happening, Mr. Warren responded that the IESO communicates activities such as this through its System Status Reports but is looking into further improvements for next time and what can be learned from this event.

**Agenda Item No. 6: Market Surveillance Panel Monitoring Document: Generator Offer Prices Used to Signal an Intention to Come Offline – MSP Item (Bill Rupert)**

Mr. Martin asked about the consequences of an MSP investigation. Mr. Rupert responded that there is nothing in the Electricity Act that allows the MSP to impose sanctions (for example, fines).

Mr. Cary asked whether the MSP would address the specific questions asked in the comment letters. Mr. Rupert replied that the Panel would not release a report on the pricing analyses and 30 per cent, as the price level was adopted for the Panel's internal use only.