

IESO Stakeholder Advisory Committee

TO: IESO BOARD OF DIRECTORS

DATE: MARCH 22, 2006

FROM: STAKEHOLDER ADVISORY COMMITTEE¹

SUBJECT: BRIEFING NOTE

This memorandum is to update the IESO Board of Directors on the March 22 Stakeholder Advisory Committee meeting. There were no items on the agenda requiring Committee input to the Board.

The 2007-2009 Business Plan was the primary item requiring input from the Committee to IESO Management. Other discussions were related to updates on prior items or on items that will come to the Committee for input at a future meeting.

2007-2009 Business Plan

The Committee received a presentation on the IESO's proposal to develop its 2007-2009 Business Plan, including the vision, mission and strategic directions proposed by the IESO. This is part of the IESO's initiative to solicit early input from stakeholders on the priorities and initiatives for business planning. This interaction is part of a broader stakeholder engagement plan (SE -20) associated with the IESO's 2007-2009 Business Plan. Written input from the stakeholder community at large on business planning priorities and initiative has been requested by April 21st.

There was a preliminary discussion by the Committee members and other stakeholder attendees on the topics presented. Most of the discussion can be characterized as "thinking out loud" to better enable stakeholders to prepare the written feedback requested by April 21st.

Some Committee members challenged the vision and strategic intention of the IESO to bring about a competitive electricity market in Ontario. The apparent discord between what the government of Ontario is actually doing - various out-of-market actions that are viewed as market un-friendly or in the extreme, anti-market - and the IESO's stated long-term vision to achieve a mature competitive market, caused concern for some members. As well, it was noted that the Committee had not yet reached consensus within its own ranks as to stakeholder's future vision for the electricity sector and as such could not offer endorsement of the IESO's vision.

There were also several points throughout the discussion where clarification was sought on whether the role and responsibility for a particular initiative was the IESOs or the

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OPAs. An example of this arose during the discussion of the IESO's initiative to develop a reliability/resource adequacy mechanism.

Questions were raised related to the IESO's independence and relationship with its market participants and stakeholders. Specifically, some questioned whether the IESO might proceed in a direction contrary to the view of stakeholders.

Evolution of the Vision for the Ontario Electricity Market

The Stakeholder Advisory Committee is committed to providing input to the IESO on the vision for the Ontario Electricity Market. The Committee members have begun the process of soliciting input from their various constituencies in preparation for the May 24th Committee meeting which will be largely dedicated to this discussion.

Electric Reliability Organization (ERO) Developments

The Stakeholder Advisory Committee received feedback from the IESO and had considerable discussion about ERO developments in the U.S. and their potential impacts in Ontario. Developments to date have involved primarily the regulators and market operators themselves. However, the amount of discussion suggested that Committee members are very interested in the implications going forward and the IESO needs to more fully involve the stakeholders.

As always, full minutes of the Committee meeting are available to the IESO Board members (and are publicly posted).