

# IESO Stakeholder Advisory Committee

TO: IESO BOARD OF DIRECTORS

DATE: February 15<sup>th</sup>, 2008

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 February 6<sup>th</sup> Stakeholder Advisory Committee meeting. All members of the Stakeholder Advisory Committee were in attendance at the session with the exception of Messrs. Bruce Lourie and Paul McMillan. As well seven IESO Board Members also were in attendance and Mr. Bentz thanked them for their presence.

## **Discussion Highlights: Senior Management Update Agency Review Panel**

Consistent with the Agency Review Panel recommendation, Mr. Campbell advised that the IESO and Hydro One are working on a unified connections' assessment process.

## **Day-Ahead Market**

Mr. Campbell highlighted that the stakeholder engagement plan was reissued. The plan that the IESO put forward at the last Advisory Committee meeting was accepted by the IESO Board and the timelines and deliverables have been amended accordingly.

## **Price Forecast Model**

Mr. Campbell commented that this stakeholder plan has been posted and was initiated as part of the discussion on the day-ahead market.

Mr. Horrobin raised the issue of discussions about whether the IESO should be involved directly in producing a forecast and if there were ongoing discussions or a decision to be made on this, notwithstanding the ongoing consultation. Mr. Campbell responded that this was one of the very specific questions that we took to the meeting yesterday for discussion with stakeholders and the sense of the meeting was there was support for going ahead with this. This will be captured in the meeting notes and posted shortly (The notes from the last meeting as well our response in the potion paper are now posted at: [http://www.ieso.ca/imoweb/consult/consult\\_se58.asp](http://www.ieso.ca/imoweb/consult/consult_se58.asp))

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## **SMART Meter Initiative**

Mr. White asked a question in regard to AMPCO's submissions to the OEB in respect of the licensing process related to consumer's access to their own meter data and protocols for third-party access to meter data. He asked if IESO could comment on the status of this. Mr. Campbell responded that this is something that is being worked on and that there are issues that need to be addressed to ensure that all privacy aspects are covered off. The IESO's position is that this information should be accessible under appropriate rules. Mr. White commented that this data should be available from the outset, so that we can all learn as we go, rather than wait until the end. He added that for operational testing, it would serve all interests if there is transparency in the data.

## **Discussion Highlights: Market Surveillance Panel Report**

Mr. Neil Campbell presented the Market Surveillance Panel Report. The thirteen recommendations in the report were presented, many of them focused on opportunities for efficiency improvement in the market. He mentioned the report did not uncover any gaming or abuse of market power which were encouraging findings. The panel continues to find opportunities to address efficiency issues.

Following the presentation, Mr. Bentz had a question on the disaggregation of the global adjustment and how this would be disseminated to larger customers of LDC's.

Mr. Neil Campbell responded that the mechanics of are not addressed in the report. As a market monitor, the Panel would be attentive to any level of transparency that was excessive and had the potential to impair market behaviour. He indicated that it is expected that there may be some sensitivities around confidentiality of individual contracts of individual market participants however the disaggregation would not need to go that far.

Mr. Wight asked if the forecasting of the global adjustment into the future has been studied by the Panel as it is not hedged for loads. His constituency is doing a lot of analysis and questioning whether the actual prices do reflect the current structure. Mr. Neil Campbell assured that the Panel would keep studying that actual prices do reflect the current structure. He added that it should be easier to forecast the global adjustment if a level of disaggregated information about the components is provided.

Mr. White had questions for the IESO regarding the IESO's response to the Market Surveillance Panel Report. He would like a more concrete timetable regarding the issue concerning artificial parameters of the dispatch algorithm. The second question was in regard to the issue about Congestion Management Settlement Credits on self-induced generation. It is not clear why seven months is required for this item to be tabled to determine if it warrants discussion at the Technical Panel. The Market Surveillance Panel has already put forward an argument to suggest that it warrants consideration and this should be enough to advance the issue. Mr. Bruce Campbell responded that the

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priority is a question of available resources, prior work commitments, and the materiality of the item. The response document produced is an initial response, and he assured the Committee that the IESO would take these comments under consideration.

Following a break, Mr. Gary Wight added the following from discussion he had with Direct Energy and Hydro Quebec. Two items for consideration by the Panel have been suggested: 1) That the Panel prioritize their recommendations in terms of impact and level of priority and; 2) That a high-level cost analysis of the impacts associated with a recommendation be completed.

Mr. Bentz requested that this proposal be noted in the minutes, and further, if Mr. Bruce Campbell would advise Mr. Neil Campbell of these suggestions.

## **Discussion Highlights: Stakeholder Engagement Process Review**

Ms. Thorne provided an overview of the objectives of the research for the review of the stakeholder engagement process, what the research focus was, the actual research, and some of the key recommendations. The review was to determine if the current principles and processes are appropriate and effective, to look for opportunities for improvement, and what could be enhanced. A spectrum of stakeholder engagement was presented showing different roles and responsibility for the IESO and stakeholders, indicating social policy versus the technical aspect of stakeholder engagement.

Key findings were that the overall quality of stakeholder engagement was very good and that it has improved over the past two years but that there are improvements that can still be made.

Mr. Bentz commented that progress has been made in ensuring an efficient and fair process.

Mr. Campbell commented that a key finding is the need for clarity in managing transitions between various phases of the stakeholder initiative; both with the communication and decision making steps. More confidence needs to be built into the decision making process and a greater face-to-face presence of senior management will assist in this regard.

Mr. Wight questioned if there was any attempt to do any benchmarking on what a high-performing organization standard should look like? Ms. Thorne replied that the study did not benchmark this against other studies. They did look at the results of the Stakeholder Engagement Review that was done two years ago, and found that there has been significant progress.

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Mr. Humphries commented that for the IESO there are two types of stakeholders. There are process stakeholders and there are outcome stakeholders. The group of outcome stakeholders is much bigger than the process stakeholders. Some of the frustration of the outcome stakeholders is that the outcomes of these processes are not entirely clear, or in other circumstances, the anticipated outcome is not clear. Process stakeholders tend to be more interested in the process because that's their day-to-day business - It's important that the process meets their needs. The majority of the consumers who don't feel they're adequately represented are more interested in the outcome. They are less interested in "how we got there". If the approach was "we're putting this process in place and this is the expected outcome" then people would understand better.

Ms. Thorne added that a suggestion was made to simplify documents by adding a one-page briefing note outlining the topic, why is it important and what's in the proposal it for various stakeholder constituencies. Signposts are needed for stakeholders to see where things are going. Mr. Humphries confirmed that this would be helpful.

Mr. Humphries then asked if the IESO was planning to provide a formal response to this review in the same way that IESO responds to the Market Surveillance Panel Report by issuing some commentary on each of the points that it's made. He also supported the need for benchmarking or best practice in the stakeholdering process. In response to this and related questions Mr. Campbell stated that the IESO will not do a comprehensive response to the report and proposes to produce a plan to address the realities in the report - very straightforward things that can be done to help people, help ourselves, and to help make the process better. Mr. Whyte added that if the IESO is going to develop a plan, then some metrics need to be developed along with that plan as this goes to the confidence issue – it is not enough to say it - it has to be demonstrable.

## **Discussion Highlights: Customer Survey Results & Recommendations**

Mr. Stewart presented the findings from the 2007 Customer Satisfaction Survey. He commented that this the second year in a row that Navigator has completed the work and a lot of the comments were similar to last year. Mr. Stewart presented a brief summary of the results, explained what was done differently this year and then presented some of the findings and recommendations.

Mr. Bentz indicated that the relationship between the IESO and the LDC's at the operational level in the control room is very good.

Mr. Humphries noted an inconsistency in comments about this survey and the previous Stakeholder Engagement Process review. The Stakeholder Engagement Process review indicated leadership, credibility and integrity issues. This survey did not indicate any on the same issues. Mr. Whyte agreed with the observation from Mr. Humphries and asked how the IESO would reconcile these two inconsistent findings. Mr. Campbell

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responded that IESO did not see the same level of inconsistency as the visibility of senior levels of management in the IESO was also identified last year. The language of the surveys are different as well as the populations of the surveys but thematically there are some learnings in each. Mr. Whyte questioned the thematic issue. The Stakeholder Engagement presentation indicated that the IESO has a credibility problem and then in the second presentation it is seen as the leader in the sector. He questioned how the IESO could be a leader in one survey and then have a credibility problem in the second survey as both surveys were completed at approximately the same time.

Mr. Campbell responded that the Customer Satisfaction Survey was more quantitative whereas the report on the Stakeholder Engagement Process review is more a report card with a focus on items that need improvement. There is a lot of common emphasis on getting out to meet with stakeholders on issues and that is a focus area. In this regard, the two reports are aligned.

## **Discussion Highlights: Load Serving Entity Update from the OPA**

The Load Serving Entity (LSE) name has been changed to Customer Entitlement Agency or CEA. The LSE term had a lot of baggage associated with it and a lot of misunderstandings so a fresh start was needed with a new name.

An overview of three technical papers was presented which represented the product of the work that the OPA has done with the industry over the past year-and-a-half. Also presented was a recommended implementation plan and how this initiative integrates with other key market initiatives like the day-ahead market.

At the conclusion of the presentation, Mr. Bentz added that a similar presentation was made yesterday to the Electricity Distributors' Association Board of Directors. In the interests of representing his constituents, feedback from the meeting included expressed concerns about the customer interface. The concern was a compromised relationship between the LDC and the end consumer if you have a CEA procuring load on behalf of default supplied customers. There was also concern expressed regarding the ability to deliver conservation as the LDC's have been in the forefront delivering conservation programs in conjunction with the OPA. A third concern was the cost/benefit to the consumer of this initiative.

Mr. Horrobin asked for elaboration on the critical decisions that have to be made prior to implementation and by when must they be made? Mr. Fulton responded that the critical aspect is fundamentally a decision by the OEB to initiate the displacement process. There's no regulatory change needed, only a change to the RPP manual. To commence a 10% procurement in Ontario you would have to announce a commodity auction no later than July 1st. The auctions would have to occur some time in September.

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Mr. Gary Wight commented that this is key enabler to moving the market forward. He indicated this should be done in a market-friendly way for retailers.

## **Discussion Highlights: SAC Direction for 2008**

Mr. Bentz noted that the committee has been in existence for almost three years now and has done a good job in developing the role and assisting the Board of Directors as an early indicator of key issues and by providing the Board with advice on issues that are relevant to the IESO's mandate.

Mr. Bentz then posed a series of questions to the membership regarding the Committee focus and priorities for 2008:

The first question was in terms of the visioning. Is there a role for the Committee to affirm a vision in terms of the market?

The second question related to the specific initiatives that the Committee would like to consider in 2008?

The third question was relative to how does the Committee become more effective as a committee and how does the Committee provide value to the Board, the Management, but also to the constituents?

Mr. Bentz then requested comments from the members:

- Mr. Humphries provided feedback on question #1 - things to look at this year. He stated the Consumer Forum should be highlighted as an entity in and of itself.
- Mr. Reeves provided feedback on the comments with respect to decision-making and that he was under the understanding that this was not the role of the Committee to make decisions. He stated the role is to represent our stakeholders.
- Ms. Girvan remarked that the Committee should ask the question of the IESO Board - Ask them to consider to what extent the Committee might be able to provide them with better advice and/or different advice and in what forum and on what basis.
- Mr. Adam White appreciated and supports the effort to have this topic on the agenda. He responded that LSE's should not be on any list of priority for the IESO and that his advocacy with the IESO, setting aside its system reliability

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obligations, has been that the IESO should focus in the pursuit of efficiencies in the markets it administers. There is a lot of work to be done as highlighted in present and past Market Surveillance Panel reports. There is a catalogue of issues that the IESO has assembled through the Market Pricing Working Group and elsewhere. There's a lot of work to be done with respect to greater efficiency and a more cost-effective administration of the markets.

- Mr. Wight's feedback was that one of the things that would be helpful is the visioning process. A defined road map and a target end state and then the Committee would be able to see the incremental steps that are required to reach that goal.
- Mr. Daniel Whyte rejected the suggestion by Mr. Adam White that everyone's objective is market efficiency as significant players have traded efficiency for reliability and that not everyone has the same understanding of the market. He supported the suggestion that the Committee needs to hear from the Board as to what does the Board want advice on.

In summary, Mr. Bentz commented that the discussion was effective in illustrating the diversity of members' views. He commented that coalescing around a single vision would be a challenge for the Committee. He reiterated that the Committee exists to represent the constituents and provide the Board with good advice and information based on input from those constituents.

Mr. Bentz advised that he will request that the IESO Board of Directors provide direction as to what they want from the Committee to improve its effectiveness as a body.

## **Discussion Highlights: Wrap Up**

The next Stakeholder Advisory Committee meeting has been confirmed for April 9<sup>th</sup> at the downtown Toronto Metro Convention Centre.