

**IESO Stakeholder Advisory Committee
Minutes of Meeting
February 4, 2009, 9:00 am
Metro Toronto Convention Centre**

Advisory Committee Members in Attendance:

Mr. John Witjes, Vice-Chair (representing Public Service Consumers)
Mr. Bruce Campbell (representing IESO)
Mr. David Collie (representing Distributors)
Mr. Steve Dorey (representing Transmitters)
Ms. Julie Girvan (representing Residential Consumers)
Mr. Richard Horrobin (representing Generators)
Mr. Mike Humphries (representing Embedded Industrial Consumers)
Mr. Mark Schembri (representing Commercial Consumers)
Mr. Adam White (representing Wholesale Consumer Market Participants)
Mr. Gary Wight (representing Marketers/Brokers)

Advisory Committee Members Absent:

Mr. Brian Bentz, Chair (representing Distributors)
Ms. Ersilia Serafini (representing the Environmental sector)
Mr. Daniel Whyte (representing Generators)

Advisory Committee Members Calling in by Phone:

Mr. Paul McMillan (representing Marketers)

Presenters:

Mr. Bruce Campbell
Mr. Ken Kozlik
Ms. Candice Trickey (answering questions)
Mr. Neil Campbell
Mr. Don Tench
Mr. Colin Anderson (answering questions)

IESO Board Members in Attendance:

Mr. James D. Hinds – Chair
Mr. Dave Cassivi
Mr. Robert Chiarelli
Ms. Angela Ferrante
Mr. Paul Murphy – President and CEO, IESO
Mr. Rudy G. Riedl
Mr. Howard Shearer
Mr. John Wiersma

Introduction – Agenda Item # 2: John Witjes

Mr. Witjes, Vice-Chair of the Stakeholder Advisory Committee welcomed everyone, introduced the three new Stakeholder Advisory Committee members (David Collie, Mark Schembri and Ersilia Serafini (who joined the meeting at lunch)) and called the meeting to order. He acknowledged the attendance of the IESO Board of Directors, thanking them for their attendance.

Mr. Witjes noted one change to the agenda. The IESO Customer Survey results by Will Stewart from Navigator would not take place due to Mr. Stewart's plane connections from Halifax.

Mr. Witjes asked if any other business items would like to be added to the agenda and two were noted from Mr. G. Wight: (i) a discussion on the OPG rebate and non-prescribed assets; (ii) the Green Energy Act and its impact on evolving the market.

Agenda Item No. 3: Senior Management Update – Bruce Campbell

Mr. Campbell mentioned that Mr. Daniel Whyte was likely delayed from attending this meeting due to plane connections out of New York.

(a) Enhanced Day Ahead Commitment

Mr. Campbell noted that the document posted outlines the status of the work to date, pointing out that the IESO intends to take this item to the Audit Committee at its next meeting on February 11 for approval to proceed with the next phase of the project.

This decision is based on the IESO's assessment that at this point, the quality, completeness and stability of the current market design for EDAC has been completed to an appropriate level of detail. The IESO will be seeking the release of funds to carry the project on to the next stage (detailed design procurement activities) based on an assessment of the completeness of the market design work.

There has been some discussion at the Technical Support Group about how to conduct the next round of stakeholdering. Those involved want to ensure it carries on as a productive and efficient process. The IESO is hoping to encourage continuous involvement with briefings along the way, and are contemplating registration for participation. There will also be general information sessions for the broader interested community.

The EDAC briefing note is available on the web at:

http://www.ieso.ca/imoweb/pubs/consult/sac/sac-20090204-Item3_SAC_Update_EDAC.pdf

(b) Use of Cost Benefit Analysis Results in Decision Making

Mr. Campbell stated that an extensive discussion with Committee Members took place around the various kinds of tests that could be applied on the cost/benefit results. He noted that the IESO regards the balanced weights approach described in the summary as very helpful input into decision-making.

The briefing note on the Use of Cost-Benefit Analysis Results in Decision Making is available on the web at: http://www.ieso.ca/imoweb/pubs/consult/sac/sac-20090204-Item3_SAC_Update_CBA_Decision_Criteria.pdf

(c) Priorities: IESO Studies of Market Design Changes

Mr. Campbell indicated the IESO has been undergoing a prioritizing exercise to make the best judgment in terms of using resources between keeping EDAC moving ahead and getting on to some other prioritized items.

Mr. Campbell further noted that this prioritization exercise will be ongoing, for instance, when we move into the next phase of business planning in the spring.

Mr. Horrobin asked for an update on a stakeholder engagement plan on surplus baseload generation (SBG) and when a plan is expected to be rolled out.

Mr. Campbell replied that this issue will be dealt with within the context of SE-57 – embedded generation - due to the linkage between all renewables coming on line and the impact on surplus baseload generation. The priority for this issue is the fall of 2009.

Mr. Horrobin urged Mr. Campbell to review the priorities and to try to get this item on the agenda sooner than the fall, if possible.

Mr. Horrobin also expressed concern over SE-61 (Exploration of Enhancements to Dispatch Methodology and Processes) and the progress regarding some of the dispatch issues. He asked Mr. Campbell to comment on what the IESO is doing to bring this issue back on track, given the slippage.

Mr. Campbell responded that the IESO is aware of the importance the generation community attaches to this issue. With the RFP for the DSO being released either today or tomorrow, this issue will proceed a bit more quickly.

Mr. Collie asked how these items are prioritized given economic changes. Mr. Campbell responded by stating that the IESO developed a structured approach which canvassed for weightings of importance, timing and included up-front information on how important these items are and what resources are required to do them. The effort put into an issue has to be appropriate to the potential change. We are learning lessons as we go.

Adam White added that he shared Mr. Horrobin's concerns about SBG. He noted that there are demand side causes and remedies to the issue of surplus baseload generation and that he would like to see these as part of the issue. This is more of a priority than the IESO attaches to the issue and there are broader policy implications if we are to talk about demand side remedies. If we are to avoid continued baseload demand destruction, we need to act quickly because once it's gone, it stays gone. Mr. White noted that he supports the report, but would like more information in it.

Mr. White further noted that the IESO should address the issue of resource constraints and acquire more resources and that he would commit some time to assist the IESO in this matter.

Mr. Campbell responded that the IESO (Mr. Don Tench) would follow-up with Mr. White on more details.

The Market Design Change Studies briefing note is available on the web at:

http://www.ieso.ca/imoweb/pubs/consult/sac/sac-20090204-Item3_SAC_Update_Priorities_IESO_Studies_of_MDC.pdf

(d) More Efficient Uniform Pricing Initiative

Mr. Campbell noted that this issue has the potential to involve some policy choices around market design and whether the Stakeholder Advisory Committee should set up a small group to work with the IESO on a joint study around some of these issues. The IESO would provide the staff and analytic support.

Mr. Wight asked whether this initiative would be expanded to include the global adjustment.

Mr. Campbell replied, "probably yes", but cautioned that the IESO only administers the global adjustment and does not define it.

Mr. White suggested that this issue be approached in two phases, the first being the definition of the problem and scoping alternative solutions. It would help if IESO staff took the lead on a discussion paper defining the problem to build some early consensus on what we are trying to achieve.

Mr. Campbell replied that he would be happy to have the question of Stakeholder Advisory Committee involvement await a review of that discussion paper.

Mr. White emphasized that the staff discussion paper not address solutions, rather problems. This would serve as a first step in defining what the problem is.

Mr. Campbell agreed that the IESO would develop a discussion paper that lays out the issues and that this paper would then determine how to move forward.

Mr. Horrobin asked when we might see some substantive change to address these issues. If we are not careful, it might be two years before we actually try to implement any solutions. There are real issues as a consequence of not moving forward with some of these initiatives. As an example, peak v. average from Bruce Power's perspective raised serious concerns over SBG. This is a significant issue if we don't move forward with market rule changes. Bruce Power would therefore like to see a sunset date to go back and review the peak v. average issue. Mr. Horrobin further noted that changes need to be implemented in a timely manner, such that "we see the fruits of the hard-working commitment that everyone has put into this exercise". A lot of effort was put into participation in these debates and it is frustrating when these initiatives do not move forward.

Mr. Campbell responded by noting that the IESO enters into these on the premise that the decision on whether or not to do anything will be driven by the circumstances of the review. We are trying to find better ways of moving things along. This is why we are trying to focus on priority items.

Mr. Horrobin asked Mr. Campbell if it would be reasonable to revisit the peak vs. average issue on a six month basis. Mr. Campbell responded that it could be put back on the agenda if the Committee felt it wanted to do so.

Mr. Horrobin noted that the issue is best to continue through the Market Pricing Working Group, rather than set up another forum.

Mr. Campbell added that he would pose the question of a working group again to the Stakeholder Advisory Committee following the release of the discussion paper.

The briefing note on More Efficient Uniform Pricing Initiative is available on the web at: http://www.ieso.ca/imoweb/pubs/consult/sac/sac-20090204-Item3_SAC_Update_MEUP.pdf

(e) Public Sector Readiness for Hourly Pricing on May 1, 2009

Mr. Campbell noted that the government requested in 2008 that the IESO undertake an outreach program around the change to market pricing on May 1, 2009. That effort has been very successful and awareness is up because of work with associations and trade groups. Much of that community has the tools to manage the transition smoothly.

David Collie noted that Terry Young and his group have done tremendous job in reaching out to those communities. Mr. Collie is still concerned about the smaller communities and that some will not realize what is happening and there will be a barrage of questions.

Mr. Campbell noted that efforts will continue till May 1, 2009.

Mr. Witjes also thanked Susan Harrison and others from the IESO for their work on this initiative but noted that a number of smaller municipalities may not be aware of this and that we will need to work hard to get the message out to them.

Mr. Gary Wight inquired whether the vice chairman wanted to move a discussion around whether the OPG rebate was coming off from new business to now as it was related to the Public Sector readiness. Mr. Witjes noted that his preference would be to wait on that issue until later under other business.

The briefing note for this item is available on the web at:

http://www.ieso.ca/imoweb/pubs/consult/sac/sac-20090204-Item3_SAC_Update_Public_Sector.pdf

(f) Supply and Capacity – 2008 Year Review and Outlook (Ken Kozlik)

Mr. Kozlik's presentation can be found at: http://www.ieso.ca/imoweb/pubs/consult/sac/sac-20090204-Item3_Supply-Capacity-2008-Review.pdf

Mr. Humphries asked a question regarding low peak demand and Mr Kozlik responded that this is what is referred to as "surplus baseload generation" (SBG). He added that control actions are needed when the IESO gets into surplus situations.

Mr. Horrobin asked a question on the nuclear outages in the spring and Mr. Kozlik replied that additional information is not public.

Mr. White asked about the control actions being looked at for SBG and Mr. Kozlik replied that the IESO's focus is on maintaining reliability and not putting reliability at risk. Market forces are a complex discussion and will be managed through that other process.

Mr. Collie asked at what level does renewable and distributed generation matter to the IESO and Mr. Kozlik responded that there was no specific number.

Mr. Schembri asked what contributed to the increase in the number of outages that the IESO managed throughout the year. Mr Kozlik replied it was partially due to increased facilities coming on line.

Mr. Horrobin asked if the operability report was going to be re-looked at in light of changes in terms of demand as SBG conditions are already at 2010 levels. Mr. Kozlik responded that the IESO will be redoing operability studies but would also like to understand where the OPA is going on their future view.

Agenda Item No. 4: Customer Survey Results & Recommendations

The presentation is published at <http://www.ieso.ca/imoweb/pubs/consult/sac/sac-20090204-Item4CustomerSurveyResults.pdf> and Mr. Witjes asked if there were any specific questions for the IESO.

Mr. Dorey asked for the IESO to elaborate on the comment in the report that the market is seen as “non-existent”. Ms. Trickey replied that the report was conducted by Navigator and it was her understanding that Navigator found that customers do not see a robust market in place in Ontario and there may be some frustration.

Mr. White asked where the report goes and would the Minister see the perception that the market is non-existent. Ms. Trickey replied that the report is made public but it is not provided directly to the government.

Mr. Humphries asked again if the customers surveyed were IESO direct customers as the IESO deals with many downstream customers. Ms. Trickey responded that the replies were only from IESO market participants.

Mr. McMillan asked a question around the stakeholder process slide as it appeared negative. Mr. Campbell responded that the report indicated that this is could be due to residual feelings from before the process had been revised or there may not have been a lot of participation from people recently involved in the process.

Ms. Girvan asked for more details on the Smart Meter data repository issue. Ms. Trickey mentioned it was due to a concern with the length of time and the progress that has been made as well as the challenges in getting everyone registered.

Agenda Item No. 5: Market Surveillance Panel Report (Neil Campbell)

Mr. Campbell’s presentation can be found at: <http://www.ieso.ca/imoweb/pubs/consult/sac/sac-20090204-Item5-MSP-pres.pdf> . The complete report is available at: http://www.oeb.gov.on.ca/OEB/Documents/MSP/msp_report_200901.pdf

Mr. Schembri asked if the MSP was equally interested in the accounting for environmental standards in the offers of importers into Ontario as it was with the Ontario-based generator highlighted in the report. Mr. Campbell replied that the MSP undertakes analysis and makes recommendations respecting market efficiency with application for all market participants but had not attempted to review the environmental attributes of other suppliers.

Mr. Horrobin questioned if the report makes any specific comments on the efficiencies of import and IOG payments. Mr. Penn responded that this report does not make any specific comments regarding the necessity for payments in off peak periods, although previous reports have.

Agenda Item No. 6: Smart Grid Forum Report (Don Tench)

The presentation can be found at: <http://www.ieso.ca/imoweb/pubs/consult/sac/sac-20090204-Smart-Grid-Forum-Report.pdf>. Copies of the report were distributed and are available at: http://www.ieso.ca/imoweb/pubs/smart_grid/Smart_Grid_Forum-Report.pdf

Mr. Tench mentioned that a few of the Forum members were present at the meeting including Paul Murphy (Chair of the Forum) as well as Mr. Collie.

Mr. Dorey asked if the Forum would continue following the release of the report and Mr. Tench replied that the Forum would meet again to discuss potential future changes.

Mr. Tench added, based on a question from Ms. Girvan, that the Forum would maintain the momentum as investments are occurring in the province. Mr. Collie added that the Smart Grid consists of many components and that the Forum would monitor and facilitate the progression and advancement of Smart Grid technologies.

Agenda Item No. 7 Other Business

Mr. Wight explained that he has received several questions from the retailer and broker communities on the non-prescribed assets for the rebate scheduled to end on April 30, 2009. The broker and retailer community want the OPG rebate on non-prescribed assets to come off as scheduled April 30/2009. He questioned if people were ready for this change and asked members for their thoughts on this issue.

Mr. Witjes responded that his organization has alternative hedging plans in place to deal with the different possible outcomes.

Mr. Schembri added that commercial customers consume a lot of power and this is an important budgeting factor. Anything to bring clarity to this in a timely fashion would be supported by the commercial sector. Mr. Horrobin added he would support this as well.

Mr. Anderson from OPG responded from the floor that in accordance with the relevant Order-in-Council, the rebate is scheduled to end on April 30th, 2009.

Mr. Humphries commented that the embedded industrial consumers would support an extension of the rebate. Mr. Wight added that the brokers and retailers want this rebate ended.

With respect to the Green Energy Act, Mr. Wight felt that a more informed discussion on the Act should be held after its publication.

Agenda Item No. 7 - Wrap Up

Mr. Witjes advised members the next meeting is scheduled for April 8, 2009, at the Toronto Congress Centre.

The meeting was adjourned.