

IESO Stakeholder Advisory Committee
Minutes of Meeting
August 26, 8:30 am
Toronto Convention Centre

Advisory Committee Members in Attendance:

Mr. Brian Bentz, Chair (representing Distributors)
Mr. Bruce Campbell (representing IESO)
Ms. Julie Girvan (representing Residential Consumers)
Mr. Paul McMillan (representing Marketers/Brokers)
Ms. Ersilia Serafini (representing the Environmental sector)
Mr. Mark Schembri (representing Commercial Consumers)
Mr. Adam White (representing Wholesale Consumer Market Participants)
Mr. Daniel Whyte (representing Generators)
Mr. Gary Wight (representing Marketers/Brokers)
Mr. John Witjes, Vice-Chair (representing Public Service Consumers)

Advisory Committee Members Calling in by Phone:

Mr. Mike Humphries (representing Embedded Industrial Consumers)

Absent:

Mr. Richard Horrobin (representing Generators)

Presenters:

Mr. Ted Leonard
Mr. Neil Campbell

IESO Board Members in Attendance:

Ms. Roberta Brown
Mr. James D. Hinds – Chair
Mr. Dave Cassivi
Mr. Robert Chiarelli
Mr. Rudy G. Riedl
Mr. Howard Shearer
Mr. John Wiersma

Agenda Item No 2: Introduction – Brian Bentz

Mr. Bentz, 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. He also acknowledged the departures of Dave Collie from Burlington Hydro, Steve Dorey from Hydro One and Paul McMillan and thanked them for their work on the Committee over the years.

Mr. Bentz noted that these vacancies on the Stakeholder Advisory Committee will be filled over the coming months.

Mr. Bentz discussed the June 17 joint session between the Stakeholder Advisory Committee, the IESO Senior Management and the Board of Directors noting that the meeting resulted in a good discussion around price transparency, renewable generation, environmental initiatives, conservation, surplus baseload generation, the global adjustment and the state of the economy.

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

Mr. Campbell thanked the departing Committee members for their contributions over the years. He also discussed the recent IESO reorganization and how it will position the company well for future challenges.

Mr. Campbell spoke to the one item on the Actions Items list regarding the concerns raised by TransCanada at the last meeting. Further information is found under item (e) below. The action item list has been included in the material and can be found on the web at:
<http://www.ieso.ca/imoweb/pubs/consult/sac/sac-20090826-Action-Items-List.pdf>

(a) Enhanced Day Ahead Commitment (EDAC)

Mr. Campbell noted that the document posted on the web outlines the status of the work to date. He drew particular attention to the pending questionnaire which is intended to elicit feedback from participants on the nature of market testing, readiness activities and other participant needs as the IESO works to bring EDAC into service.

The EDAC briefing note is available on the web at:
<http://www.ieso.ca/imoweb/pubs/consult/sac/sac-20090826-EDAC.pdf>

(b) Embedded and Renewable Generation

Mr. Campbell discussed the issue of centralized forecasting, noting that the IESO is moving ahead with plans for centralized forecasting for variable generators. Discussions are ongoing with the community and there is a memo posted on how the IESO anticipates charging for those centralized forecast services.

The Embedded and Renewable Generation briefing note is available on the web at:
<http://www.ieso.ca/imoweb/pubs/consult/sac/sac-20090826-Embedded-Renewable-Generation.pdf>

(c) Smart Metering and Meter Data Management & Repository (MDM/R)

Mr. Campbell highlighted progress in the IESO's transition to operating the MDM/R and how several utilities are leading the way, including Newmarket, Milton, Chatham-Kent, Tay, and how the IESO is starting to become active with some of the larger LDCs. The planning and meter registration is moving ahead very well.

The Smart Metering and MDM/R briefing note is available on the web at:
http://www.ieso.ca/imoweb/pubs/consult/sac/sac-20090826-Item3_MDMR_SAC_note.pdf

(d) Green Energy Act

The IESO is continuing its work on getting ready for the Feed-in Tariff (FIT) application process and contract terms but are still waiting on the FIT contract terms to be finalized.

(e) Interaction of Guarantees and Supply Contracts

There have been some interim changes to the real-time and day-ahead generation cost guarantee programs. The rules were unanimously passed at the last Technical Panel meeting. They will go to the Board for approval in September. The IESO will be opening up this fall discussion of changes to the real-time generator cost guarantees, looking at better integration with EDAC.

The briefing note for this item is available on the web at:
<http://www.ieso.ca/imoweb/pubs/consult/sac/sac-20090826-Interaction-of-Guarantees-and-Supply-Contracts.pdf>

(f) Corporate Performance Measures

Mr. Campbell noted that this item will be discussed at the September Board meeting and that any comments referring to this item should be provided by September 2nd.

The Corporate Performance Measures briefing note is available on the web at:
<http://www.ieso.ca/imoweb/pubs/consult/sac/sac-20090826-CPM.pdf>

Question and Answer session following Senior Management Update

Mr. McMillan asked two questions around EDAC timelines and implementation. The first involved any implications to underlying financial transactions ensuring adequate notification. Mr. Campbell responded that the previously discussed questionnaire takes this into account.

The second question by Mr. McMillan was around any indirect impact to the structures of the new OPA contracts and how they are settled. Mr. Campbell responded by noting that the IESO is talking to the OPA on a regular basis about the structure of those contracts.

Colin Anderson from OPG asked if Mr. Campbell could provide more information on how the IESO will be converting the information provided on corporate performance measures into measurable metrics. He also asked if stakeholders would be able to comment on the new metrics prior to their finalization, since much effort had been expended by Stakeholders, and the IESO alike, in developing the current metrics. Mr. Campbell responded by noting that one of the objectives is to reduce the “plethora” of individual measures and provide something more focused and direct. Mr. Campbell also noted that there would be opportunities for comment.

Agenda Item No. 4: 2010-2012 Business Plan – Ted Leonard

Ted Leonard, the IESO’s new CFO introduced himself and provided some background on his involvement with the organization over the past 10 years.

Mr. Leonard’s complete presentation is available on the web at:

<http://www.ieso.ca/imoweb/pubs/consult/sac/sac-20090826-Business-Plan-Presentation.pdf>

Mr. Gary Wight talked about the global adjustment and that the actual costs for electricity now far exceed what individuals were expecting to pay. He questioned whether the IESO has the resources and staff to deal with this issue. Mr. Campbell responded to the question by noting that the IESO is canvassing for solutions and will come forward with ideas on how to deal with pricing issues going forward.

Mr. Daniel Whyte commented that generators will need to build their infrastructure as the IESO builds its systems and analytical endeavours. This is becoming increasingly burdensome for generators. Mr. Whyte also questioned whether there will be increases in the usage fee going forward. Mr. Campbell responded to the second question by noting that there is a fee for assessment work which will continue as the volume of this work increases moving forward. With respect to the first question, Mr. Leonard responded by noting that the IESO will focus its efforts foremost on the issues that matter.

Mr. Whyte asked a follow-up question regarding an increase in the export fee from \$1 to \$7 and what happens with this money. Mr. Campbell noted that this money has never flowed to the IESO; it goes to offset transmission costs.

Mr. Schembri questioned what “industrial host needs” are. Mr. Kozlik responded that in cogeneration, the generator supplies electricity almost as a by-product of creating steam for an industrial process. So the industrial host’s needs often are more influential on the generators actions than are the particular aspects of the electricity market.

Mr. Schembri also asked whether the IESO should be reducing staff levels at a time when the Green Energy Act needs to be supported. Mr. Leonard responded by noting the IESO sees this work as a priority and will do what it needs to do in order to get that work done and this needs to be balanced with fiscal prudence.

Mr. Witjes asked which resources have been removed/refocused as part of the IESO's restructuring plan. Mr. Leonard replied by noting that the details of how the budgets for each area will be met are still being worked out.

Mr. McMillan questioned who was now responsible for the Integrated Power System Plan (IPSP) – to the extent that it impacts the IESO's operations. He also noted that Ontario's need for energy is going to change dramatically while we promote conservation and that the IESO needs to focus on the "need to haves" and not the "nice to haves". Mr. Leonard noted that the IESO would take this feedback into consideration.

Mr. G. Wight noted that the appropriate price signals need to be put into place. Mr. Leonard responded by noting that the IESO does continue to have a focus on market development. Mr. Campbell agreed that the best way to organize these markets is to have a good price signal and that the IESO needs to balance off price issues with environmental and reliability objectives as well.

Mr. Humphries commented that the economy will recover and that the IESO needs to be ready when it does and have the proper resources in place.

Agenda Item No. 5: Market Surveillance Panel (MSP) report – Neil Campbell

Mr. N. Campbell provided an overview of the MSP's 14th monitoring report. Mr. N. Campbell's presentation is available on the web at: <http://www.ieso.ca/imoweb/pubs/consult/sac/sac-20090826-Item5-Presentation.pdf>.

A copy of the full MSP report is available on the web at:
http://www.oeb.gov.on.ca/OEB/Documents/MSP/msp_report_200907.pdf

Mr. Bentz questioned if there was anything that could be done on the export side to ease the surplus generation issue. Mr. N. Campbell replied by noting that some of these restrictions were a result of work that New York was doing on interties, such as outages, which may not be ongoing and repeatable.

Mr. A. White questioned whether there was a way the MSP could integrate its high level recommendations made over the years in a way that provides a holistic comment on improving the market overall. Mr. N. Campbell replied by noting that the MSP tries to judge where it's useful to spend their time while avoiding duplication with other agencies, and at the same time, pick issues for which they can make valuable contributions in terms of analysis.

Mr. McMillan asked whether the Panel had investigated whether the outage of the New York – Ontario intertie which contributed to the spring SBG conditions was properly considered and its timing appropriate. Mr. N. Campbell responded that the panel treated it as a “technical given”. He indicated that the Panel did not have any reason to doubt the technical basis for the NYISO decision although it did not make a detailed investigation of it.

Mr. McMillan also noted caution around recommendation #3.1 to the extent that it needs to be looked at in the context of how a shareholder might look at it and their overall greenhouse gas exposure. He asked whether a for-profit generator would be considered to be withholding if it elects not to offer into the market in order to reduce greenhouse gas (GHG) emissions. He offered an example of a generating entity that may look at its GHG exposure globally rather than simply in Ontario and suggested that it should be judged accordingly. Mr. N. Campbell said the Panel would seek to understand the facts through discussions with the market participant before making any findings.

Ms. Serafini posed a question on CO2 targets and the inefficiencies created when someone is required to withhold capacity because they are trying to achieve a different target. Mr. N. Campbell noted that the MSP considered the target established by the government as the benchmark and then looked at what happens within the zone of discretion.

Mr. D. Whyte asked whether the MSP would review daily energy limits (DEL's) with hydro generation in the same way as emissions limited fossil generation. Mr. N. Campbell noted that the MSP would look at whether the resource was being offered into the place where it has the most value, or is it being withheld from the high-priced hours and used at another time in a way that might be inefficient or might result in an exercise of market power?

Mr. Schembri questioned the drivers behind future increases in surplus baseload generation shown in the report. Mr. N. Campbell noted the chart was prepared a year ago and was used as a reference point for some projections at the time. Mr. B. Campbell responded by noting that the drivers would be the anticipated timing for the return to service of the Bruce units and some of the investments in renewables.

Mr. G. Wight wanted to understand the decision criteria for the MSP's recommendations. Mr. N. Campbell noted that the MSP works from the bottom up, so they analyze as they monitor and if they feel there's a recommendation to be made, it flows from that analysis.

Mr. Witjes noted that the cogeneration facility at Queens University uses HOEP as its trigger. There haven't been run opportunities for 3-4 months because of the decline in HOEP. It's a significant problem having the global adjustment increase as HOEP decreases because the price signals are not residing in the right spots. Mr. N. Campbell replied to this comment by noting that some of these features of the market come from government policy choices to move to a procurement-based system.

Agenda Item No. 6: Other Business

Mr. G. Wight thanked the contributions of Mr. McMillan and wished him the best in his future endeavours.

Agenda Item No. 7: Wrap Up and Adjourn – Mr. Bentz

Mr. Bentz advised members that the next meeting is scheduled for October 28 at the Toronto Congress Centre.

The meeting was adjourned.