

MEMO

TO: IESO

FROM: Julie Girvan - Residential Sector - Stakeholder Advisory Committee

RE: Feedback on Development of the 2011-2013 Business Plan

Date: July 2, 2010

On June 2, 2010 the IESO senior management met with members of the Stakeholder Advisory Committee (SAC). The purpose of the meeting was to engage the SAC in a high level presentation and discussion of the IESO's approach to the development of the 2011-2013 IESO Business Plan. The IESO outlined the strategies presented to the IESO Board of Directors at its annual strategic planning session. These strategies, which incorporate priorities identified by SAC members at the March 31 meeting, reflect changes that are taking place in Ontario's electricity sector and help the foundation of the IESO business planning for the next three years. The IESO is seeking input from SAC members and set out a number of questions intended to guide that feedback.

1. Does your sector support the overall direction and intent of the strategies presented?

Given the current problems and challenges within the Ontario electricity market we are of the view that the IESO is generally moving in the right direction in terms of the strategies it has identified.

2. Does your sector support each of the specific initiatives identified?

The integration of renewables is something the IESO must do in order to facilitate implementation of the FIT program. From our perspective it will be important for the IESO to do this in the most cost-effective way possible. With respect to the Market Road Map initiative we would like to see more detail around how the small group of stakeholders would function. It will be important to ensure all sectors are effectively represented and that the process is transparent. We have no position at this time regarding energy modelling. Developing methods for managing surplus baseload generation is definitely required at this time. Given surplus baseload generation is occurring, the IESO should be looking at how to manage the problem in the most cost-effective way possible.

3. Is there something substantial that is not being addressed by these strategies and identified initiatives?

A great deal of ratepayer money has been spent on smart metering at all levels. This includes costs incurred by the local distribution companies and the IESO. It will be important for the IESO and others to present a cost-benefit analysis of the smart metering initiative. To the extent it is not producing real benefits for customers the plan may need to be changed. This is something the IESO should be looking at as more and more time-of-use pricing is rolled out and the impacts assessed.

4. Is there a strategy or initiative that your sector would not consider a priority?

We are not in a position to assess the need for energy modelling and whether it is required. It would not necessarily be considered a priority from the perspective of residential consumers.

With respect to the issue of the Global Adjustment Allocation we have concerns. First of all the initial working group was comprised of a small group of stakeholders that was not fully representative. Those end-use customers that will be paying more if the proposal is adopted were not represented. From our perspective there may well have been alternative approaches to deal with the global adjustment that were not explored. Now the IESO has effectively passed on its proposal to the Ministry of Energy and Infrastructure. We are of the view that more extensive consultation should have been undertaken and alternatives explored. We are not supportive of the proposed re-allocation and are of the view more work is required. The components of the global adjustment are diverse and there may well be an approach that better reflects cost-causality.

5. Does your sector support a well-grounded increase in fees if necessary to implement these strategies and associated initiatives?

All of the components of the electricity bill are rising. There is an expectation that bills will continue to rise over the next several years. If the IESO is now facing new challenges and developing strategies to address those challenges it is expected that additional resources will be required. However, in light of all of the other cost increases finding their way on the electricity bill it is incumbent on the IESO to present a full cost-benefit analysis of all of its proposed initiatives. Until we see more detail as to what the impacts on the fees will be we are not in a position to support an increase.