

# IESO Stakeholder Advisory Committee

TO: IESO BOARD OF DIRECTORS

DATE: September 10, 2010

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 August 25, 2010 Stakeholder Advisory Committee meeting and on the sector discussion of 2011-2013 IESO Business Plan. All members of the Stakeholder Advisory Committee were in attendance at the session with the exception of Ms. Adèle Malo, (Marketers/Brokers).

As well, IESO Board Members in attendance were:

Mr. James D. Hinds – Chair	Mr. Rudy G. Riedl
Ms. Roberta S. Brown	Mr. David Cassivi
Mr. Tim O’Neill	Mr. Howard Shearer
Mr. John Wiersma	

## **Agenda Item #2: Welcome – Mr. John Witjes**

Mr. Witjes advised that a meeting between the Stakeholder Advisory Committee and the IESO Board took place on June 2 to discuss, at a high level, the IESO’s approach to the development of the 2011 – 2013 Business Plan. A summary of the discussion is posted on the website.

## **Agenda Item #3: IESO Senior Management Update – Mr. Bruce Campbell**

### **Broader Regional Markets Initiative:**

Mr. Campbell indicated that it is the IESO’s position that the most effective first step in addressing this initiative is to get the phase angle regulators in service on the Ontario-Michigan border. The IESO is working with all parties to push this ahead. Mr. G. Wight emphasized the importance of this for the intertie traders and requested a new completion date. Mr. Campbell reiterated that the IESO continues to work with entities across the border to complete the implementation.

### **MDM/R / Smart Metering Update**

Mr. Campbell mentioned that there has been some media coverage around Measurement Canada and smart meters. He clarified that this is not a matter of billing accuracy but rather a question of the information that gets put on the bill.

### **Ontario Smart Grid Update**

Mr. Campbell noted that the IESO website will be updated with information from the most recent meetings.

### **Demonstration Project to Provide Regulation Service – Status**

Mr. Campbell noted that the two selected candidates in the Project are currently lining up customers and as that is completed, the pilot will run.

**Control Action Operating Reserve (COAR) – Status**

Mr. Campbell mentioned that further discussion on this occur in the fall.

**Agenda Item #4: 2011 – 2013 Business Plan – Mr. Terry Young, Mr. Bruce Campbell, Mr. Ken Kozlik and Mr. Ted Leonard**

See attached Addendum – page 3

**Agenda Item #5: Operations Report – Mr. Ken Kozlik**

Mr. A. White asked why the Crisis Management Support Team (CMST) was not brought in when the July 5 events occurred in Toronto. Mr. Kozlik responded that the CMST received a number of updates and that the problem was localized and limited to a few hours. He added that this decision is being reviewed to help guide CMST actions in future situations. Mr. Schembri commented that more information would be valuable as a forecasted outage of more than four hours makes a big difference with expensive actions. Mr. Kozlik mentioned that large retail could benefit by participating in the Emergency Preparedness Task Force or CMST and would be welcomed to do so.

In a reply to Mr. Horrobin's question, Mr. Kozlik stated that there are significant error bands around Surplus Baseload Generation (SBG) forecasts the further in time you go out, with SBG being a function of so many factors.

**Agenda Item #6: Global Adjustment Update – Mr. Bruce Campbell**

Mr. Campbell stated that the IESO had no specific information as to when the regulation will be published and that the IESO will be helping customers understand the implications of this for their business after the regulation is published.

**Wrap-up and Adjournment**

Mr. Witjes stated that the next meeting is planned for Tuesday, October 26<sup>th</sup> at the Metro Toronto Convention Centre downtown and that that five Committee positions are up for renewal.

## ADDENDUM

Sector comments on the 2011-2013 IESO Business Plan:

### DISTRIBUTORS

Mr. Wilcox asked if there were any specific measures the IESO can use to judge how efficient it is as an organization. Mr. Leonard responded that last year's organizational realignment resulted in efficiencies implemented in many areas of the business – particularly resulting in a decrease in staff levels. Mr. Campbell also pointed out that the Federal Energy Regulatory Commission (FERC) has an initiative underway to develop more consistent information amongst the Independent System Operators (ISOs) for comparative purposes and noted that the IESO Board of Directors consistently monitors improvements and efficiencies in IESO business.

### ENVIRONMENTAL

Ms. Serafini mentioned that the overall feedback on the Business Plan from her represented sector was very supportive of the direction. She asked if the IESO has considered the integration of combined heat and power into the electricity system and whether or not an expansion of the Renewables Integration priority would address that. Mr. Campbell replied that the Renewables Integration project does not specifically address this technology, however the Project would be complementary to the implementation of combined heat and power. He noted that it would likely be implemented more on the level of the local distribution company (LDC) and that the Project will also evolve the IESO's relationship with LDCs, as more and more embedded generation will impact system operations.

### MARKETER/BROKER/RETAILER

Mr. G. Wight commented that a change management plan should be put in place for the market road map along with guiding principles to ensure results take place. He added that the timeline is not quick enough but is realistic.

### TRANSMITTERS

Mr. Smith commented that some of the assumptions in the plan were consistent with what his sector was seeing and that the Integrated Power System Plan (IPSP) will determine many things going forward. He mentioned his only concern was in terms of the details of the plan and in the area of the simplification.

### EMBEDDED INDUSTRIAL CONSUMERS

No additional comments from what was already supplied to the IESO on June 9, 2010.

### WHOLESALE CONSUMER MARKET PARTICIPANTS

Mr. A. White commented on the importance of data from the IESO and complimented the IESO on the transparency that has developed since market opening. Mr. White suggested three areas to consider publishing data for: Allocated Quantity of Energy Withdrawn for individual LDCs, generator offers, and third party access to the Metering Data Management Repository (MDM/R) data. Mr. Kozlik noted that the IESO is always wary of confidentiality requirements which results in a reliance on releasing aggregated data at certain levels in order to address confidentiality. He also noted that generally the IESO is looking to publish the information we provide to others through individual requests so all participants can benefit from this information. Mr. Campbell agreed that the third party access to the MDM/R is important and that the Ontario Energy Board will need to drive a process to arrive at the proper protocols for implementing the statutory provisions supporting third party access.

#### RESIDENTIAL

Responding to Ms. Girvan's question, Mr. Young confirmed that the government has not been fully engaged in the business plan as of yet.

#### GENERATORS

On behalf of his represented sector, Mr. Horrobin and Mr. D. Whyte raised a number of questions relating to the business plan presentation; is there any further detail available for comment; to what extent is the IESO dealing with price signals and intertie issues in the business plan – it does not appear to be addressed; what is meant by “effectively contribute to the development and implementation of government policy” and does the IESO contribute to government policy or actively implement government policy; is more detail available on the market road map including clarification on the IESO's commitment to market-related issues under the market road map, targets associated with the development of that document and the group of stakeholders or its constituencies to be involved; and lastly will LMP be part of the market road map.

Mr. Campbell addressed the questions on the market road map by stating that the development of the Market Road Map will be a wide-ranging discussion about how the IESO will be operating and what the market should look like. It is not to be a narrow discussion of strictly current market operations. The development of the stakeholders and the timing are still being worked out and Mr. Campbell noted that the IESO welcomes any comments in this development - discussion will begin this fall.

With respect to the details of the Business Plan, Mr. Young advised it would be included with the IESO submission to the OEB. Mr. Young also addressed their question regarding the IESO's work with government by noting that the IESO currently contributes to both the implementation and development of government policy.

Mr. Horrobin further questioned where the IESO was with respect to dealing with the issue associated with the interties in the Business Plan. Mr. Campbell indicated that his earlier update on the Regional Market has outlined the IESO's priorities in that area.

And lastly, Mr. Horrobin enquired how the IESO would be moving forward with plans for surplus baseload generation. Mr. Kozlik indicated that the Simplification Initiative in the Business Plan will involve conversations with market participants to uncover what information from the IESO would help participants make more informed decisions during these situations. Mr. Campbell also noted that the Renewables Integraton project will work to develop a reasonable policy in times when choices between different resources have to be made on the system.

Mr. D. Whyte congratulated the IESO on running a professional business and holding costs down.

## COMMERCIAL

Mr. Schembri shared feedback from his represented sector that they are seeing extreme price increases and acknowledged that the IESO understands these pressures. He questioned whether the intended small group of stakeholders for the market road map would discuss Ontario Power Authority contracts and how they will work into a market pricing mechanism to start to deal with the global adjustment concerns. He also asked how the IESO differentiates between embedded and non-embedded renewable generation. Lastly, he asked how the IESO has been dealing with educating and engaging consumers. Mr. Campbell confirmed that the market road map discussions would certainly address how the market should be function in the future given the heavily contracted nature. He also noted that the IESO sees embedded generation at the boundary of the LDC - the IESO does not direct the operation of what is behind that boundary. Mr. Young stated that the IESO is doing a lot of work with LDCs in terms of consumer education and providing materials and expects to have a fairly significant role in education around the global adjustment changes. Mr. Young also noted that the IESO is currently developing a lot more work in this area particularly in smart meter education. He invited any suggestions for additional areas of focus.

## PUBLIC SECTOR

Mr. Witjes was supportive of the additional resources that have been requested in the Business Plan. He asked Mr. Leonard how the IESO arrived at the noted capital investment of \$20 million, how this will address the pressing matters in the control room and what typically this investment has gone to in the past and will go towards. Mr. Leonard indicated that the details of the spending will be included in the IESO's rate application but summarized that they have looked at the business drivers over the next three years which reveal a fair bit of system replacement, as well as the Enhanced Day Ahead Commitment project also being a large initiative. He also noted that while the IESO has not necessarily spent that amount in the past years, he is seeing a run-up to that amount.

## OTHERS

Mr. Fred Hassan on behalf of the Power Workers' Union asked if the 8 terawatt hour reduction in 2011 was a result of new embedded generation or a combination with market demand reduction. He added that if embedded generation is significant, then the IESO should assess and consider the possibility of a new fee structure to reflect the new services provided to the new embedded generators

and LDCs. Mr. B. Campbell responded that the reduction will be driven both by conservation and the effect of embedded resources.

Mr. Kozlik added that there is an increasing amount of work due to new types of behind-the-fence generation connecting to the system. With regard to the implications of a different structure for the IESO fee, Mr. Leonard stated that it is something that has been considered by the IESO and this, while not an area of change in this year's application, a review of the fee structure with respect to embedded generation is planned for discussion in future years.