

IESO Stakeholder Advisory Committee
Minutes of Meeting
October 26, 2010, 9:30 am
Toronto Convention Centre

Advisory Committee Members in Attendance:

Mr. John Witjes - Chair (representing Public Sector Consumers)
Mr. Brian Bentz - Past Chair (representing Distributors)
Mr. Bruce Campbell (representing IESO)
Ms. Julie Girvan - Vice-Chair (representing Residential Consumers)
Mr. Richard Horrobin (representing Generators)
Ms. Adèle Malo (representing Marketers/Brokers)
Mr. Mark Schembri (representing Commercial Consumers)
Ms. Ersilia Serafini (representing the Environmental Sector)
Mr. Wayne Smith (representing Transmitters)
Mr. Adam White (representing Wholesale Consumer Market Participants)
Mr. Daniel Whyte (representing Generators)
Mr. Gary Wight (representing Marketers/Brokers)
Mr. Todd Wilcox (representing Distributors)

Via phone:

Mr. John Williams (representing Embedded Industrial Consumers)

Presenters:

Mr. Terry Young
Mr. Bruce Campbell
Dr. Neil Campbell

IESO Board Members in Attendance:

Mr. James D. Hinds – Chair
Ms. Roberta S. Brown
Mr. David Cassivi
Ms. Angela Ferrante
Mr. Paul Murphy
Mr. Tim O'Neill
Ms. Helen Polatajko
Mr. Rudy G. Riedl
Mr. John Wiersma

Agenda Item No 2: Introduction – John Witjes

Mr. Witjes, Chair of the Stakeholder Advisory Committee, welcomed everyone and called the meeting to order. He acknowledged the IESO Board of Directors, thanked them for their attendance. He mentioned the Committee had a short in camera session prior to the meeting. Mr. Witjes provided feedback on the Board meeting he attended in September. The Board is appreciative of the work that the Stakeholder Advisory Committee is doing and advised that the briefing note to the Board is posted on the web.

Regarding the agenda, Mr. Witjes mentioned that this and future agendas will now include whether the item was recommended or suggested by the IESO or if it was put forward by the Committee. In addition, Agenda Item No. 6, Renewable Integration was being brought forward as the next item of meeting.

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

Mr. B. Campbell explained that the IESO received a letter from the Minister indicating that he was not prepared to approve the IESO Business Plan. The IESO will reconsider the Business Plan in the context of government restraints. Mr. Witjes added the Stakeholder Advisory Committee put a fair bit of work into providing input to the business plan and could offer a letter of support from the Stakeholder Advisory Committee to the Minister.

a) MDMR/Smart metering update

The briefing note is available at: http://www.ieso.ca/imoweb/pubs/consult/sac/sac-20101026-Item%203_MDMR-Update.pdf .

Mr. B. Campbell highlighted the IESO interim licence has been extended to March.

b) Update on asset backed paper

The briefing note is available at: http://www.ieso.ca/imoweb/pubs/consult/sac/sac-20101026-Item3_Update_ABCP.pdf .

Mr. G. Wight complimented the IESO for exercising patience during a very difficult time during the financial markets, and restoring as much value as possible.

c) Maximum Adjustment Period for settlement statements

The briefing note is available at: http://www.ieso.ca/imoweb/pubs/consult/sac/sac-20101026-Item_3_MAP.pdf .

Mr. B. Campbell mentioned Market Rules cannot override statutory or regulatory provisions and conclusion from the initiative is there was no opportunity to avoid an open-ended adjustment period.

d) Stakeholder plan on Control Action Operating Reserve

The stakeholder engagement plan is available at:

http://www.ieso.ca/imoweb/pubs/consult/se72/se72-stakeholder-plan_r2.pdf .

Mr. B. Campbell updated that the comment period has just expired and the IESO will be scheduling a discussion based on the comments.

e) IESO response to Market Surveillance Panel Report

The briefing note is available at: <http://www.ieso.ca/imoweb/pubs/consult/sac/sac-20101026-Item 3 IESO Response to MSP Recommendations.pdf> .

Agenda Item No. 4: Market Surveillance Panel Report (Dr. Neil Campbell)

Dr. N. Campbell noted the contributions from departing Market Surveillance Panel (MSP) member, Professor Don McFetridge. He added that the replacing member is Dr. Roger Ware from Queen's University and that Panel member Mr. Tom Rusnov's term will be completed next January.

Dr. N. Campbell's presentation is available on the web at:

<http://www.ieso.ca/imoweb/pubs/consult/sac/sac-20101026-Item 4 MSP-presentation.pdf> .

The full Market Surveillance Panel Report is available at:

http://www.oeb.gov.on.ca/OEB/Documents/MSP/MSP_Report_20100830.pdf .

Mr. D. Whyte asked a question on slide 23 on the presentation - How does the 23% of transmission rights held by financial participants compare with other markets. Dr. N. Campbell replied that the MSP has not studied other TR markets in detail and is not aware of whether this statistic is available for such markets.

Ms. Malo asked if the MSP is considering altering its reporting metrics, such as Hourly Ontario Energy Price (HOEP), in light of the 6,600 megawatts of renewable generation Ms. Malo noted the pricing structure is going to be quite different than it used to be. Dr. N. Campbell replied the MSP looks at the HOEP and the interval prices as it indicates the trade transactions and the conditions in which people are trading which is a relevant piece of information for decision-making. He added that that in recent reports the MSP has increasingly focused on the concept of "effective price", which is composed of Global Adjustment and uplift charges in addition to HOEP. The MSP has not historically reported on all-in effective prices in foreign markets,

however, such data is available through an annual report composed by Hydro Quebec (see: http://www.hydroquebec.com/publications/en/comparison_prices/index.html)¹.

Ms. Serafini asked if the MSP would comment on how the work of the MSP could fit into the market road map and any role the MSP would have in the road map. Dr. N. Campbell replied that the MSP mandate is market power, gaming, and a broader mandate to make observations and recommendations about efficiency of the market. He added there is an opportunity to make suggestions about what could be done by way of efficient change, evolution, development of the market. Dr. N. Campbell noted several areas in which the Panel already has outstanding recommendations that would improve market efficiency.

Mr. Greg Pakela from DTE Energy Trading (via the phone) asked why there was an absence of the New York ISO and the loop flow issue in the report. Dr. N. Campbell responded that this was in the report but he did not have any slides on it. Mr. Don Tench (IESO's Market Assessment Unit) added that submissions were before the Federal Energy Regulatory Commission (FERC) and that the New York ISO is leading the initiative to look at broader regional markets. Mr. Tench stated that getting the phase angle regulators in service is a priority for Ontario.

Mr. Randy Heaton from TransCanada Energy had a question on MSP recommendation 3.5 that proposes that the IESO limit the number of transmission rights (TR) auctioned to a level where congestion rent covers the payout. He also asked whether the MSP regarded the TR market as self-funding. Dr. N. Campbell responded that the intent of the TR market was to provide traders with a hedge against congestion. Accordingly one would expect that, on average, payouts would be equal to congestion rent collected. He indicated the Panel believed an overselling of TRs was one factor leading to the high payouts. Dr. N. Campbell stated that the TR market was self-funded.

Agenda Item No. 5: Communication plans on Global Adjustment Allocation (Mr. Terry Young)

Mr. Young advised the Committee that he believed the regulation was expected to be posted any day. He stated the communication plan is to work closely with partners including LDCs, large customers and associations to help ensure they understand the changes.

Mr. Young's presentation can be found at: http://www.ieso.ca/imoweb/pubs/consult/sac/sac-20101026-Item_5_GA_Communications.pdf

Mr. Williams stated (via phone) the urgency with his constituents on the Global Adjustment Allocation and would appreciate anything that can be done quickly to get information out. Mr. Young responded that the IESO has set dates aside and booked facilities for customer meetings.

¹ This information has been added post meeting at the request of the presenter, as useful and relevant information

Mr. Schembri asked if the one month lag through the Provincial Benefit will be corrected to make the LDCs charge Global Adjustment to retail customers. Mr. Young replied the final regulation is not out but believed this was looked at.

Mr. Schembri stated the IESO should focus education on the large retail consumers who would not benefit from the initiative so to help them better understand how to manage the cost of the Global Adjustment. Mr. Young responded that market education has been done in this area and that the IESO is aware of the need to continue to address it.

Mr. Young responded to Ms. Girvan's question that education and impacts to residential consumers will be via time-of-use rates education, the IESO website, and local LDC's. Ms. Girvan added that there will be a cost shift with Global Adjustment Allocation and the cost impacts needed to be understood.

Mr. Young replied to Mr. Wilcox he was not aware of anyone other than the IESO taking a lead on communications.

Mr. Witjes requested the IESO comment on the implementation date and if there was any flexibility on the date changing. Mr. Young responded the implementation date is January 1, 2011 and any change request would be best directed to the Ministry.

Ms. Malo stated the concern from her sector was the cost shift to a large number of consumers and questioned the IESO spending resources educating those who would be benefiting. She supported Ms. Girvan and Mr. Schembri that education is provided to the general public.

Agenda Item No. 6: Renewable Integration (Mr. Bruce Campbell)

Mr. B. Campbell highlighted the delivery of the first FIT connection assessment project within the 150 day performance requirement. The FIT project timelines include working with Hydro One.

In terms of the renewables program, Mr. B. Campbell advised planning is based on 6,600 megawatts of new renewable resources in 2013 including over 4,000 megawatts of wind, 1,800 megawatts of solar, and 600 megawatts of new water. Discussion will move forward with stakeholders under three areas related to wind generation and solar. The three areas will be under a project umbrella and will deal with forecasting through a centralized service, active dispatching, and ensuring visibility of output. For forecasting, he added the early focus will be on wind and the secondary focus on solar. On active dispatch Mr. B. Campbell stated FIT contract, operating reserve market, CMSC payments, and dispatch order would be included.

With respect to consultation, Mr. B. Campbell stated this will be done under a new renewables integration stakeholder plan and the existing SE-57 stakeholder engagement on Embedded and Renewable Generation will be closed and any outstanding issues transferred to the new plan.

Consultation will occur over the next few months to implementation details that would flow from the IESO design principles. To prepare for this, Mr. B. Campbell added that a white paper outlining the principles will be published in the next few weeks for a comment period followed by meetings to discuss the issues in the white paper.

Ms. Serafini asked what the key challenges and hot issues were for successful integration of the projects. Mr. B. Campbell responded that the funding model in the centralized forecasting and the baseload generation dispatch order are getting some discussion. He added that the forecasting and the visibility of getting information to the control room will be important to the IESO in the future.

Mr. B. Campbell responded to Mr. G. Wight's question on 15 minute integration into the forecasting tool. He said the IESO was looking at a forecast tool that will give information to support five-minute dispatch.

Mr. B. Campbell stated the IESO was not looking for visibility at the micro-FIT level in a reply to Mr. Wilcox's question. Mr. B. Campbell added that processes will be in place if sufficient micro-FIT projects affect the load of an LDC.

Mr. Horrobin asked for a timeline for the stakeholder engagement, along with the end date. Mr. B. Campbell responded that the paper with the proposed principles will be mid-November with a comment period and meetings following. He further explained that mid 2012 is when all the renewables need to be incorporated into the systems. Mr. Horrobin added his concern with the long timing as it appears that surplus baseload generation (SBG) is included in this initiative. Mr. B. Campbell replied that curtailment for SBG will be part of the paper and those discussions of the principles are high priority as those principles are important to the design, and to current operations. Mr. Horrobin then asked if the OPA be involved in those discussions to which Mr. B. Campbell answered yes.

Agenda Item No. 7: Market Road Map (Bruce Campbell)

Mr. B. Campbell stated the Market Road Map will deal with the fundamentals to market operations, the change in asset mix, and the complexities of current market issues. A draft term of reference (ToR) for the Market Road Map has been shared with the Stakeholder Advisory Committee members for members to consult with their constituencies. The ToR covers the objectives, criteria for developing recommendations, scope and structure of the forum, the audience and the deliverables including a set of actionable recommendations. Timing would be completion in one year. Mr. B. Campbell added that the timing of this initiative will be looked at in light of the Minister's letter on the IESO Business Plan and welcomed feedback from Committee members.

Mr. Witjes responded that it was the Committee's intention to providing a letter of support for the revisited business plan as well as comments on the market road map ToR.

Ms. Serafini reiterated support for the market road map as essential for the Committee and for the IESO. She added that the market road map will define what the market looks like with the vision of a future under the Green Energy and Economy Act.

Agenda Item No. 8: Other Business

Mr. Witjes recognized the departing members, for their years of valuable and dedicated contributions to the success of the IESO stakeholder engagement process.

Mr. B. Campbell, on behalf of the IESO Board and the Senior Management Team thanked the departing members for integrating Stakeholder Advisory Committee input into the IESO business.

Mr. G. Wight responded that he was appreciative for the opportunity to serve his sector on the Committee and to work for the IESO Executive and the IESO Board Members. He added that his sector believes competitive markets and customer choice offer the best values for the ratepayers of Ontario.

Mr. Bentz mentioned he appreciated the opportunity for input in the stakeholder process, working with the IESO leadership team and the Board of Directors, and his term as Vice-Chair and Chair of the Committee.

Ms. Girvan thanked the IESO and Board and recognized the understanding of the various sector and the Committee members. She added that the Committee should continue to keep thinking about the consumer.

Mr. D. Whyte stated he has worked in the markets in North America and recognized the leadership from the IESO organization. He appreciated working with the Committee and the IESO during his period.

Agenda Item No. 9: Wrap Up and Adjourn

Mr. Witjes advised members that the next meeting is tentatively scheduled for December 8.

The meeting was adjourned.