

Summary of Generator Sector Feedback to the IESO regarding their  
2012 – 2014 Business Strategy

June 29<sup>th</sup>, 2011

C. Martin on behalf of generator sector

1. Does your sector support the overall direction and intent of the IESO's strategic objectives?

- The generators endorse the strategic objectives of maintain reliability; prepare for future operations; and efficiently manage our business.
- The generators also endorse the strategic objective of effectively contribute to the development and implementation of government policy, but believe additional clarity is required to ensure that this objective is appropriate and well understood by the stakeholders and IESO management.

Clarity the generators believe is necessary is as follows:

- Scope of policy advocacy. IESO should contain its advice on policy issues to matters that are squarely in its domain; specifically commenting on policy impacts wrt system operability, reliability and efficient price formation should form the boundaries of IESO's advice.
- Transparency. It may be difficult to deliver transparency when commenting on proposed Government policy. However there are a number of instances where additional transparency would be easily achieved and be welcomed.

2. Does your sector continue to support initiatives identified as the IESO's primary focus for the next three years?

- Renewable Integration including SBG:
  - Some contracts were let without consideration of dispatchability. The counterparties to those contracts should not be forced to shoulder the cost of becoming dispatchable. This is not a reason to leave them non-dispatchable, however they must be held whole through the transition.
- Market Roadmap
  - Generators support an open and transparent assessment of the current state of the IESO administered markets.
  - We note that the IESO itself appears to be advocating in favour of market evolution to LMP and Day Ahead markets and that this element of policy is garnering much of the focus in spite of a lukewarm level of interest by the majority of stakeholders.
  - Generators support market roadmap activities that help to resolve the long standing issues of SBG and CAOR.
  - Market roadmap recommendations must be mindful of the generator contracts.
- Energy Modelling

- Generators support energy modelling based on the understanding that it will assist with:
  - Assessing future resource adequacy
  - Assessing future operability
  - Providing meaningful information to participants to support their production and outage planning
  - Ensuring Operational needs and implications are fully understood by planners and policy makers

3. Is there a strategy or initiative the IESO has identified that your sector would not consider a priority?

- We do not agree that “Increased consumer focus” is a role for the IESO. We believe that “Increased Market Participant focus” is a role for the IESO. The first thing that they should address is enhanced market transparency... Let people understand what is going on with the Power System through Planning and Operating timeframes.
- We do not believe that solving the Global Adjustment allocation question is within the mandate of the IESO.
- We do not believe that the IESO is or should be a Consumer Advocate.

4. Is there something substantial that is not being addressed by the IESO?

- Interaction between market rule amendments and generator contracts. The contracts that many generators have with the OPA contain provisions that expressly indemnify them from the adverse economic impact of IESO market rule changes. IESO cost benefit analyses associated with proposed market rule changes do not include recognition of the OPA’s contract obligations to these generators. It is possible that much of the efficiency gains contemplated by some rule changes would be muted or completely eroded as the result of these contract provisions and/or the cost to the province of the associated litigation that could ensue should those obligations be ignored.
- Market Transparency. There is a great deal of information about the operation of the IESO controlled GRID that the IESO holds very tightly on the basis that it is Confidential. Transmission limits, SCO’s, activation of DSM programs, the quantity of wind in the pre-dispatch schedule are examples – there are many others.
- Surplus Baseload Generation. The renewable integration initiative only looks at the operating impacts of SBG. Even with 100% wind curtailment there will still be occasions when nuclear units are manoeuvred for SBG. The IESO needs to adopt a planning approach to SBG that will allow participants to take advance actions. (i.e. planning in advance for the removal of a nuclear unit from service for the May long weekend).

5. The IESO will be expanding its strategic objectives to include an increased focus on the consumer. From the SAC’s perspective, what should this include? How would each of the sectors recommend the IESO accomplish this?

- The increase in focus should be directed towards all market participants with a view to enhancing the transparency of all operations, planning and communications and the availability of market data and information.