

Summary of 2012 IESO Strategy Discussion with Stakeholder Advisory Committee



The following is a summary of the May 2 meeting between IESO senior management and the Stakeholder Advisory Committee (SAC).

The purpose of this year's meeting was to discuss the priorities identified by each of the SAC representatives and efforts the IESO has planned to address these.

At the meeting, the IESO outlined:

1. the emerging themes arising out of the priorities submitted by each of the SAC representatives
2. the initiatives undertaken or planned by the IESO to address stakeholder priorities
3. discussion and questions to guide feedback from the SAC on the IESO's next steps for consultation on consumer engagement

Each of these items are outlined below.

1. SECTOR PRIORITY THEMES

Priorities for Consumers - The Wholesale, Commercial, Residential, Embedded Industrial and Public Service Consumers as well as the Distributors and the Environmental sector focused priorities on consumer engagement in various forms. Emphasis was on the need to find ways for consumers to manage their costs by either responding to market signals or using existing capability and infrastructure to provide electricity services.

Some examples of what the various consumer-based sectors are looking for from the IESO are:

- better opportunities for embedded consumers to respond to system needs (centralized programs, GA allocation, better price signals, technology to automate response, access to ancillary services)
- define system needs, or the objectives for consumer engagement
- programs to increase education and awareness of opportunities for consumers to participate
- ways to address recommendations from the Electricity Market Forum
- greenhouse gas emission information and voluntary demand response signals to support corporate sustainability efforts

Priorities for Suppliers - The Generator and Marketer/Broker sectors communicated a number of fairly specific requests of the IESO that focused on two areas of priority: surplus baseload generation management and market enhancements.

Managing Surplus Baseload Generation (SBG)

- increase transparency of actions taken to manage SBG
- advocate for reduced export tariff fees
- encourage consumption during SBG (CAOR and 1x ramp rate may improve price signals)
- avoid increased investment in conservation
- use most dynamic resources to solve and ensure equitable compensation for constrained resources

Market Enhancements

- resist pressure to address market issues through administrative measures
- proceed with Electricity Market Forum Report Recommendations; provided the IESO is transparent in how recommendations will be addressed
- sign Memorandum of Understanding allowing for trading of capacity across jurisdictions
- increase quantity and term of Financial Transmission Rights to improve ability to hedge
- reduce intertie scheduling window to match neighbours

Priorities for Transmitters - For the transmission sector the key theme was cost efficiency and continuing to focus on finding efficiencies to drive down costs, specifically in the areas of:

- implementing the new Bulk Electricity System definition
- ensuring that maintenance programs can be efficiently delivered despite increased complexity resulting from increase in renewable generation

However, the commercial sector raised a concern that the economic cost of supply disruption is not being discussed when weighing the cost of infrastructure improvements against the reliability benefits.

2. IESO KEY INITIATIVES

The IESO has a number of initiatives and priorities already underway or planned for 2012 that are aligned with the priorities identified by the SAC this year. These are generally focused on the following two areas:

- **Renewable Integration Initiative (SE-91)**
The Renewable Integration Initiative (SE-91) will make significant progress in 2012 through the following efforts:
 - a centralized forecast is being delivered to the IESO - the focus for this year will be to fine tune the forecast and integrate it into IESO systems
 - rules and processes for dispatching wind are being developed with stakeholders
 - work with large embedded variable generators to ensure they are visible to the IESO
 - integrating renewable is a key component of how the IESO will address SBG

- Electricity Market Forum Report Recommendations
A number of initiatives resulting from the Electricity Market Forum Report Recommendations will be launched this year including:
 - an request for proposal (RFP) to procure regulation services from alternative technologies
 - studies to address the pricing and cost review of the Hourly Ontario Energy Price and the Global Adjustment will be initiated (including review of two-schedule system)
 - consultation to identify opportunities for and barriers to increasing consumer engagement in the electricity market

3. QUESTIONS FOR THE STAKEHOLDER ADVISORY COMMITTEE

Increased Consumer Engagement in Ontario's Electricity Market

Stakeholders have echoed the sentiment of the Electricity Market Forum and the Ontario Smart Grid Forum that an increased focus is needed to engage consumers to participate in Ontario's wholesale electricity market. The meeting discussed the ability to identify some of the opportunities and potential barriers to enable demand-side participation in the market.

The following questions were provided to guide feedback by each sector:

1. Please identify for each of these whether or not you agree the IESO, or others, should pursue this initiative, and for those you agree with, rank in order of priority:
 - a. Explore opportunities to lower the minimum size for participation in IESO-administered markets and services procured by the IESO
 - b. Explore opportunities for different levels of participation – lesser standards, and lesser compensation, for smaller participants that offer less reliability
 - c. Consider creating a new class of participant to enable aggregation of smaller facilities
 - d. Explore feasibility of developing environmental signals
 - e. Undertake research to evaluate consumer knowledge on the market/DR programs and define education opportunities
 - f. Undertake research to test the extent that consumers are inclined to manage energy use based on price, market or environmental signals
 - g. Evaluate the customer segments that offer the most potential to become demand responsive and how they will be encouraged to participate
2. Are there other initiatives you believe should be pursued?