

# **Final Report to the IESO Board of Directors**

## **IESO Stakeholder Engagement Review: Recommended Stakeholder Engagement Principles, Processes, and Mechanisms**

May 24, 2005



# FINAL REPORT

## IESO STAKEHOLDER ENGAGEMENT REVIEW

### 1. Introduction

Stakeholder engagement, the process by which stakeholder views and needs are identified and integrated into decisions, is integral to IESO decision making. In January, 2005, Singer & Watts was engaged by Ontario's Independent Electricity System Operator (IESO) to conduct an independent review of stakeholder views about the IESO's engagement processes and to make recommendations to improve the processes based on the assessment of a number of key factors including the needs and experiences of IESO stakeholders, the needs and experiences of IESO staff, and changes introduced by Bill 100 (the Electricity Restructuring Act, 2004). Most notably with respect to stakeholder engagement, Bill 100 changed the composition of the IESO Board, removing stakeholder representation on the Board and creating an independent Board. Bill 100 also placed an obligation on the IESO Board to, "establish one or more processes by which consumers, distributors, generators, transmitters, and other persons who have an interest in the electricity industry may provide advice and recommendations for consideration by the IESO" (s.13.2).

The purpose of this report is to provide recommendations to the IESO Board of Directors, based on the assessment of the above factors, for revised stakeholder engagement principles, processes and mechanisms for the IESO. The report is organized in four main sections. Section 1 provides an introduction and discusses a number of assumptions on which our recommendations are based. Section 2 describes the stakeholder engagement review process. Section 3 provides background information relevant to the recommendations. Section 4 presents recommendations on stakeholder engagement principles, processes and mechanisms for the Board's consideration.

Our report is based on four main assumptions discussed below.

First, we define stakeholder engagement as the process through which those affected by or interested in a decision, and who have a stake in the outcome, are provided the opportunity to provide input to the decision before it is made. As such, stakeholder engagement is an aid to decision making and not a replacement for it. Decision making authority rests with the IESO under the Electricity Restructuring Act. Having said this, stakeholder engagement is a vitally important exercise in all North American electricity markets. As identified by one stakeholder in the review process, "With vital and divergent commercial interests at stake, and as imperfect as it will always be, good stakeholding represents the best opportunity to get valuable input from market participants and move towards consensus solutions which are hopefully the best outcomes for the market". As noted by many stakeholders, getting the stakeholder engagement process "right" is extremely important for both the IESO and the Ontario electricity market.

Second, it is our view that the IESO, as an organization (staff, and executives) is more than another stakeholder in the IESO Board decision making process. While we accept the view presented by some that the IESO does have an organizational interest in the outcomes of the Board's decision making process, it also has specific accountabilities under the Electricity Restructuring Act, and therefore should not be treated solely as a stakeholder. Nevertheless, in recognition of stakeholder concerns regarding the IESO's influence in managing the stakeholder engagement process, we have designed checks and balances within the processes (e.g., procedures to enhance transparency, joint Stakeholder/IESO Chairmanship of committees, direct access by stakeholders to decision makers, the assessment of need for independent facilitation, etc.) and believe that these measures help to mitigate these concerns.

Third, it is our view that stakeholder engagement is a valuable aid to decision making at all stages/levels in the decision making process including the:

- Staff level, where IESO staff make proposals based on their technical knowledge and expertise;
- Executive level, where the IESO management applies their knowledge, experience and management judgment to proposals and make recommendations to the Board of Directors; and
- Board level, where the IESO Board of Directors exercises decision making authority under the Electricity Restructuring Act.

Consequently, our proposed processes provide the opportunity for stakeholders to provide input at each of these stages/levels of decision making.

Fourth, the scope of our work has not included an examination of the IESO's Technical Panel. It is assumed that the responsibilities and processes associated with the Technical Panel would remain unchanged (i.e., to review and propose amendments to the market rules on an ongoing basis and advise the IESO Board on such specific technical issues related to the operation of the IESO –administered markets as may be referred to the Technical Panel by the IESO Board).

We would like to take this opportunity to sincerely thank all stakeholders and IESO staff for their time and effort in providing input to the review process and we believe that their contributions have resulted in a comprehensive set of stakeholder engagement recommendations for the Board's consideration.

## **2. Stakeholder Engagement Review Process**

The stakeholder engagement review process began in early 2005 and has moved forward in four interrelated phases:

### **2.1 Phase 1: Scoping of Key Stakeholder Engagement Considerations**

The first phase of the review involved identifying the key considerations that needed to be addressed by any new stakeholder engagement process. This was accomplished through:

- Reviewing the results of stakeholder input received from the Independent Market Operator's 2003 and 2004 review of its stakeholder engagement processes;
- Reviewing and assessing the implications of the Electricity Restructuring Act;
- Conducting a number of informal structured interviews with a sample of stakeholders across the various stakeholder sectors;
- Soliciting input from stakeholders at the February 23<sup>rd</sup> Market Advisory Council meeting; and
- Identifying and reviewing input received from IESO staff with working level experience in the stakeholder engagement processes previously undertaken by the IMO.

### **2.2 Phase 2: Developing Draft Stakeholder Engagement Principles and Frameworks**

The second phase of the review involved developing a set of stakeholder engagement principles and frameworks based on the key considerations identified in Phase 1 of the review. These principles and frameworks were presented in a Working Paper that was published and posted on the IESO's web site on March 17, 2004 (see Appendix A).

### 2.3 Phase 3: Soliciting Stakeholder Input on the Working Paper

The third phase of the review involved seeking stakeholder input on the stakeholder engagement principles and frameworks presented in the Working Paper. Stakeholders were given the opportunity to provide their views on the Working Paper through an open workshop held on April 20<sup>th</sup>, 2005, and through the electronic posting of the Working Paper on the IESO's web site with a request for comments. The verbatim results of the workshop, together with the written comments received, are provided in Appendix B.

### 2.4 Phase 4: Developing a Final Report to the IESO Board of Directors on Stakeholder Engagement Principles and Frameworks

The fourth phase of the review involved reviewing and assessing the stakeholder input provided in phase 3 and refining the principles and frameworks further, culminating in the recommendations contained in this Final Report. Our responses to stakeholder comments received during the April 20<sup>th</sup> Workshop and written comments are documented in Appendix C.

This Report will be posted on the IESO Web Site and IESO Management will then review the report and post their comments on the web site. Finally, stakeholders will have the opportunity to comment on both the Final Report and IESO Management comments.

## 3. Background

Stakeholder engagement has been an integral part of the IESO decision making since its inception, and in fact, was built into the governance of the former IMO through its hybrid governance structure that included both market participants and independent members on the Board of Directors. This structure attempted to merge the benefits of collective self-governance by those who participate in the market with the need to ensure the independence of the decision making process in the overall public interest.

The IESO's existing stakeholder engagement processes are set out in its Consultation Handbook and are built around a strategic advisory body, the Market Advisory Council (MAC), and a set of Standing Committees (Market Operations, Regulatory Affairs, and Information Technology). Further, the IESO broadens its stakeholder engagement through the use of web-based exchanges, telephone and video conferencing, working groups, and technical workshops and conferences. Currently, all stakeholder engagement processes are designed, implemented, and supported by the IESO "line organization" responsible for the initiative. In essence, the line organization wears two hats—they are responsible for both the stakeholder engagement process and for the outcomes of the process.

In 2003 and 2004, the IMO conducted its own reviews of its stakeholder engagement activities and through those processes identified a number of issues including:

- The need to increase transparency in decision making;
- The need for more balanced representation from stakeholder sectors and the need to be mindful of the composition of stakeholder groups when assessing stakeholder views;
- The need to do a better job at listening and acknowledging stakeholder issues and concerns;
- The need to communicate decisions with rationale including how stakeholder input was included in the decision;
- The need to employ impartial and knowledgeable facilitators to address IMO advocacy and the imbalances in stakeholder composition in some stakeholder forums;

- The need to address the issue of lack of stakeholder resources to participate in stakeholder engagement processes; and
- The need to ensure that stakeholder forums are conducted efficiently to avoid overlap and stakeholder burn out.

Given the need to address the above issues, and given the passage of the Electricity Restructuring Act and its resultant impacts on stakeholder engagement, the IESO decided to purposefully move forward with an independent review of stakeholder views about IESO engagement mechanisms and processes.

In the first phase of the stakeholder engagement review, stakeholder input was obtained by conducting a number of informal structured interviews with a sample of stakeholders across the various stakeholder sectors and through an open workshop at the Market Advisory Council. This input is documented in the Stakeholder Engagement Principles and Frameworks Working Paper (Appendix A) and a summary of key themes identified included:

- The need for direct and “unfiltered” stakeholder access to the new independent Board of Directors;
- The need for better balance in stakeholder representation (concern that those with a direct interest and resources dominate the IESO’s stakeholder engagement activities and some constituencies are at times not represented at all);
- The need to streamline the process including reviewing the effectiveness of the Market Advisory Council;
- The need for independent facilitation to address IMO advocacy and imbalanced stakeholder participation;
- The need to review the number of stakeholder committees and to ensure related processes dovetail;
- The need to minimize resource costs for participants and provide lower cost stakeholder engagement opportunities where possible;
- The need to enhance transparency of the process, avoid “white washing” stakeholder input, and make decisions and supporting rationale public;
- The need for input at all decision making levels—Working, Management, and Board (particularly the Board);
- Recognition that consensus is not feasible on market issues where there are winners and losers and it is most important that consultation be meaningful and all views get communicated to decision makers for their consideration prior to decisions being made;
- The need to consider using both open stakeholder engagement processes to achieve comprehensive input and representative processes to keep participation manageable and effective;
- The need to consider the creation of a stakeholder mechanism to provide input on alignment and coordination issues between the IESO, Ontario Power Authority (OPA), and Ontario Energy Board (OEB);
- The need for stakeholder engagement processes to be efficient and to take into consideration that all issues do not require the same degree of stakeholder engagement;
- The need for stakeholders to participate in the process responsibly and the need for stakeholders to provide their views prior to decisions being made;
- The need to increase transparency, and in particular, the need to communicate how stakeholder input was taken into account in decision making; and
- The need for more formalized rules in stakeholder forums.

In the second phase of the review, a Working Paper was produced proposing Stakeholder Engagement Principles and Frameworks based on the above input and our experience. In the third phase of the review, stakeholder input was solicited on the Working Paper at a Workshop and through the request for written

comments. The verbatim documentation from the workshop is provided in Appendix B. The key themes identified include:

- The need to attempt to condense the proposed principles and suggested changes to some of the principles;
- The need to ensure that management of the stakeholder engagement process is as neutral as possible and the need for independent facilitation of the process;
- The need to ensure that there is no “filtering” of stakeholder input to the Board of Directors;
- The need to treat the IESO as any other stakeholder for market development/policy issues and as a content expert for market operations related implementation issues;
- The need to better understand what is driving IESO decision making and the need for the IESO to make public its decisions with related rationale;
- The need for stakeholders to have a say in IESO stakeholder engagement process decisions;
- The need to consider the creation of one Stakeholder Advisory Committee to serve the needs of both the IESO and the OPA;
- The need for Stakeholder Advisory Committee members to be appointed by the constituency they represent and the alternative view that the IESO Board should appoint Advisory Committee members from nominees provided from the constituency;
- The need for a well “balanced” Stakeholder Advisory Committee;
- The need to limit Stakeholder Advisory Committee membership to between 10 and 20 representatives;
- Mixed views on the desirability of establishing an Electricity Sector Forum to provide input on alignment issues between the IESO and OPA;
- The need to continue with the Standing Committee structure for now but to continually reassess it to ensure its effectiveness;
- Any new IESO Stakeholder Engagement Unit within the IESO should focus on the process and take direction from stakeholders on the level of stakeholder engagement (feedback, consultation, or consensus) required for an issue.

The written comments provided by stakeholders on the Working Paper are also provided in Appendix B and are summarized as follows:

- Concern that two stakeholder advisory committees to serve the IESO and OPA may be impractical due to the limited pool of knowledgeable resources available to serve on the Committees;
- The proposed Electricity Sector Forum may be too large to be effective and there may not be enough overlap between the IESO and OPA to require it;
- The need for Advisory Committee members to be appointed through respective industry constituencies;
- The need for the Chair of the Advisory Committee to be an independent party from outside of industry with strong facilitation and conciliation skills;
- The need to ensure more routine stakeholder engagement activities are captured by the frameworks proposed in the working paper;
- The need to ensure there are processes in place for stakeholders to bring issues forward and not merely respond to IESO initiatives;
- The need for market participants to be involved in the prioritization of issues;
- The need for stakeholders to have input to the design of a specific stakeholder engagement process to be followed for a particular issue;
- Support for the opportunity for stakeholders to provide unfiltered input directly to the Board or to the Executive on matters where they are the decision makers;

- The need for all Board members to be invited to attend all Advisory Committee meetings and one Board member to be appointed (by the Board) to co-chair the Advisory Committee together with a market participant elected by the market participants;
- The need for Standing Committees and Working Groups to provide unfiltered input directly to the Advisory Committee;
- The need for all documentation of the deliberations of the Advisory Committee to be provided to market participants no later than coincident with providing them to the Board and at a time that allows market participants to supplement material by making their own submissions to the Board in writing;
- The need for all advice provided by the Advisory Committee to include a formal motion and a complete identification of how each member voted including the name of the market participant and the company and sector that he/she is representing;
- The need for load and generation sectors to receive equal weighting on the Advisory Committee and the need for sectors to choose their representatives in whatever way they agree;
- The need for the Advisory Committee to communicate directly to decision makers (the Board in most cases, but it should communicate to the Executive on issues on which they have decision making authority);
- The need for the Advisory Committee to communicate consensus positions, but also provide full information about which participants/sectors are in disagreement with the position, the rationale for these dissenting opinions and alternatives that have been suggested by those parties;
- The need for the Advisory Committee to routinely initiate communications with the Board on any issue of importance to market participants and input to the process for prioritization of work plans, not just respond to issues identified by the IESO;
- The need to ensure that management of processes involving policy decisions is as neutral as possible, including such decisions as hiring consultants;
- Care needs to be taken to involve groups which are significantly affected by IESO decisions but have limited resources by their nature or are not well organized;
- On policy matters, the IESO should be considered as one among many stakeholders;
- The Advisory Committee consist of two members from each of generators, transmitters, distributors, residential customers, commercial customers, industrial customers, marketers, and the IESO;
- The Advisory Committee members should be nominated by the constituency and selected by the Board of Directors (similar to Technical Panel);
- The need for an independent facilitator to manage the stakeholder engagement process;
- The preference for continuing with the Market Operations and IT Standing Committees for routine operations related initiatives and discontinuing the Regulatory Affairs Standing Committee as the work of the Regulatory Affairs Standing Committee would more appropriately be addressed through the Advisory Committee;
- It is important that the IESO use appropriate decision and dialogue tools to facilitate stakeholder engagement including prototypical solutions, scenarios describing options and outcomes, etc.;
- The Advisory Committee should not be the only "standing" representation of stakeholders to the IESO;
- The Advisory Committee should broadly reflect market participants including corporate entities and industry-specific associations;
- Advisory Committee members should be at a sufficient level of seniority within their organizations to "carry" their sponsoring organizations with them on issues;
- It may be of utility to the IESO Board to also have available to it other members of the Advisory Committee who provide a broader view of the market, the economy, or the "big picture" but the preponderance of membership should reflect participation in the wholesale market;

- The Advisory Committee should probably not exceed 16-18 members and if voting is a feature of issue determination, supply side representatives should have at least equal weight as the load side;
- Advisory Committee members should be appointed by the stakeholders themselves and not the IESO;
- The Stakeholder Engagement Unit should be able to communicate with Advisory Committee members, especially on important topics such as objective setting and measurement and feedback on consultation and consensus initiatives.
- Mechanisms need to be put in place to enable stakeholders to set a topic agenda to which the IESO needs to respond;
- Performance auditing/assurance of stakeholder engagement initiatives needs to be put in place;
- Need to distinguish, or clarify, true guiding principles for achieving mutually beneficial outcomes through stakeholder engagement from guidelines for accomplishing, or implementing a "quality" stakeholder consultation;
- Need for detailed procedures associated with the frameworks to be developed in consultation with stakeholders;

Our responses to the input received from stakeholders on the Working Paper are provided in Appendix C.

## 4. Stakeholder Engagement Recommendations

### 4.1 Introduction

This section of the report provides recommended stakeholder engagement principles, mechanisms, and processes, for Ontario's Independent Electricity System Operator. The recommendations are organized under two main sections:

- Stakeholder Engagement Principles
- Stakeholder Engagement Processes and Mechanisms:

### 4.2 Recommendations: Stakeholder Engagement Principles

The purposes of stakeholder engagement principles are to guide the stakeholder engagement activities of the IESO and the conduct of both the IESO and participants in the process. It is recommended that the IESO adopt the following set of stakeholder engagement principles going forward:

#### Decision Making

1. Stakeholder engagement is an essential element of IESO decision making.
2. The IESO will provide meaningful and timely opportunities for stakeholders to provide input into decision making.
3. The IESO will provide varying levels of stakeholder engagement for its decisions (feedback, consultation, or consensus processes) based on the nature of the decision and the significance of the issue to stakeholders:
  - Feedback Process—seeking input on draft proposals (usually a one step process involving little or no face to face dialogue)
  - Consultation Process—seeking input from the formative stages of decision making and throughout the decision making process normally involving continuous two-way face to face dialogue.
  - Consensus Process—seeking agreement among stakeholders and attempting to remove all stakeholder objections (stakeholders may not agree with all aspects of the proposal but all are willing to accept the total package).
4. IESO decision making processes will be transparent and decision making stages will be clearly defined at the outset.
5. Stakeholder views, including dissenting views, will be fully communicated to decision makers prior to decisions being taken.
6. IESO decisions, and the rationale for decisions, will be communicated to stakeholders along with an explanation of how their input was taken into account in the decision.
7. The IESO fully endorses its stakeholder engagement processes and will communicate the outcomes from the processes in regulatory forums.

## Participation and Process

8. The IESO's stakeholder engagement processes will be inclusive, providing the opportunity for all stakeholders with an interest in an issue to participate.
9. The IESO will actively encourage all stakeholder sectors with an interest in a decision to participate in the process and no stakeholder constituency will have undue influence on the process.
10. Participants in IESO stakeholder engagement processes will have a commitment to keep their host organizations informed about the process and the authority and willingness to represent their organization's views on an issue.
11. Within the context of providing effective stakeholder engagement processes, care will be taken to make these processes as simple as possible and to minimize their costs.
12. The IESO will use stakeholder input to develop options that attempt to facilitate resolution of differing points of view.

## Information Exchange, Implementation, and Continuous Improvement

13. The IESO will strive to ensure stakeholders have timely, accessible, and accurate information sufficient to understand the implications of alternative courses of action.
14. The IESO and participants will strive to become as well informed as possible about all the facts relevant to the process, to communicate their views fully and openly, and to support others in doing the same.
15. The IESO will use independent facilitation and advanced stakeholder engagement techniques as appropriate to achieve stakeholder engagement objectives.
16. The IESO will regularly measure and assess the effectiveness of its stakeholder engagement processes and make the results of its assessments public.

## **5. Stakeholder Engagement Mechanisms and Processes**

The following section of the report provides recommendations on stakeholder engagement mechanisms and processes for the IESO. Given that the purpose of stakeholder engagement is to aid decision making, we have organized our recommendations around three broad decision making categories:

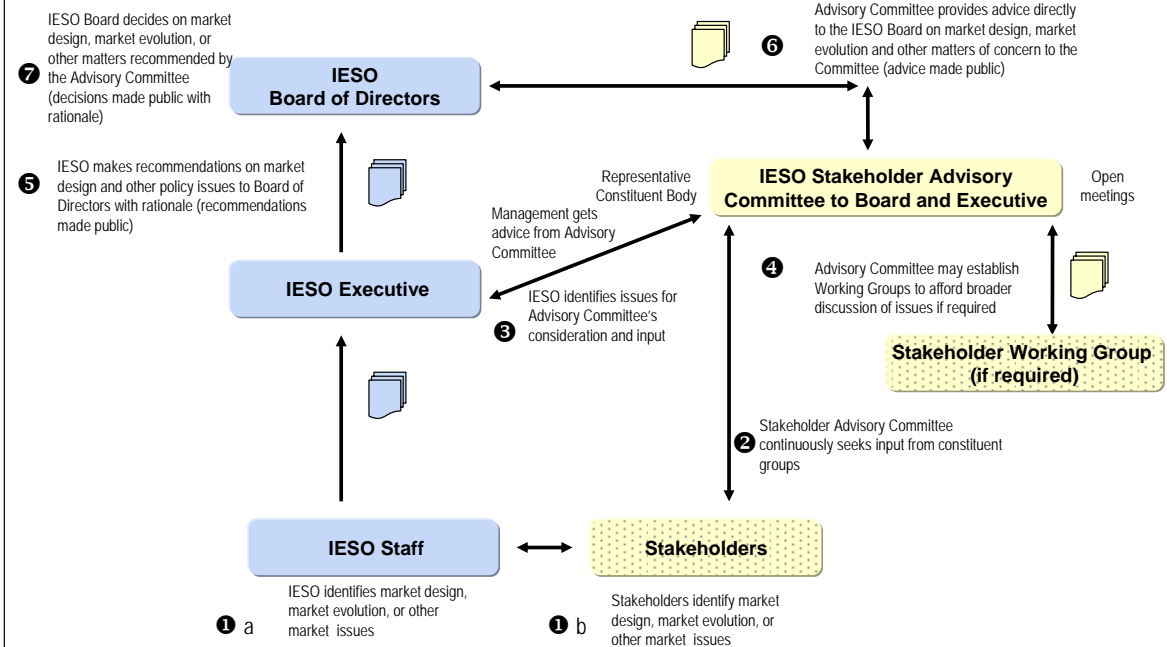
- Decisions related to IESO market development policy and planning (e.g., changes to market design, market structure, business plans, etc.);
- Decisions related to IESO implementation and operations; and
- Decisions related to alignment between the IESO and the Ontario Power Authority (OPA).

It should be noted that the IESO engages stakeholders on a range of numerous topics and the above decision making categories are not meant to be limiting but rather provide a broad construct around which our recommendations are organized.

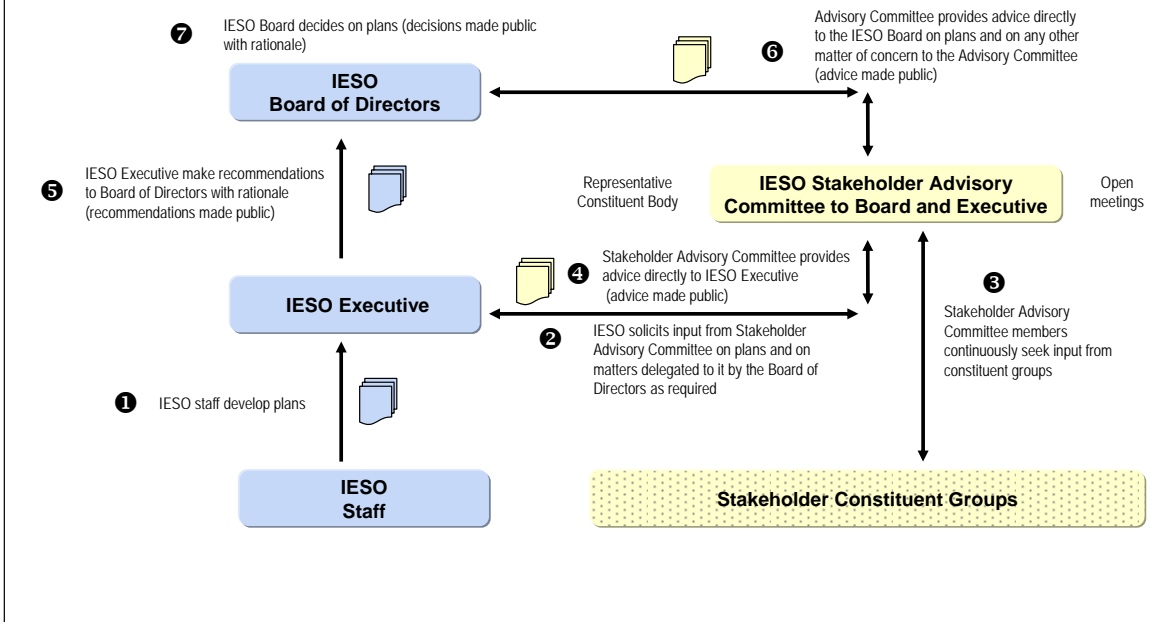
### **5.1 Stakeholder Engagement for IESO Market Development Policy and Planning Decisions**

Figure 1a and b outline the recommended stakeholder engagement frameworks to support IESO market development policy and planning decisions. Market development decisions include decisions that have a material affect on the existing electricity market or future evolution of the market. IESO planning decisions would include matters such as business plans and work plan prioritization. Separate frameworks are presented for market development and for planning decisions to reflect the different nature of the processes (i.e., market development issues could be initiated by either stakeholders or the IESO while planning matters such as business plans would normally be initiated by the IESO).

**Figure 1a**  
**Stakeholder Engagement for IESO Market Development Policy Decisions**  
 (e.g., market structure, market evolution, etc.)



**Figure 1b**  
**Stakeholder Engagement for IESO Planning Decisions**  
 (e.g., Business Plans, etc.)



The following set of recommendations address the creation, purpose, composition, and key protocols associated with the Stakeholder Advisory Committee to the IESO Board and Executive.

#### Stakeholder Advisory Committee to the IESO Board and Executive: Purpose

It is recommended that:

- 5.1.1 The IESO establish a Stakeholder Advisory Committee to the IESO Board and Executive.
- 5.1.2 The Stakeholder Advisory Committee be a forum for its members to be informed of IESO activities and to provide advice directly to the IESO Board of Directors and/or the Executive on IESO market development decisions (i.e., decisions that have a material affect on the existing electricity market or future evolution of the market), plans (e.g., business plans, work plan prioritization, etc.) and any other matter of concern to stakeholders. Reliability standards, such as those set out by the Northeast Power Coordinating Council (NPCC) or the North American Electric Reliability Council (NERC) would continue to be developed in their established processes.

#### Stakeholder Advisory Committee: Composition and Appointment

It is recommended that:

- 5.1.3 The Stakeholder Advisory Committee be a representative constituent body with a membership broadly reflective of stakeholder constituencies with a direct interest in IESO decisions.
- 5.1.4 The Stakeholder Advisory Committee at a minimum be comprised of the following voting members: two representatives from the Generation sector, two representatives from the Marketer/Broker sector, two representatives from the Distribution sector, two representatives from the Large Industrial customer sector, and one representative each from the Transmission, Commercial, Residential, and Environmental sectors.
- 5.1.5 Stakeholder Advisory Committee members be appointed by the Board of Directors from nominees submitted by each of the constituencies listed in recommendation 5.1.4 above in a manner similar to the appointment of Technical Panel members.
- 5.1.6 If the stakeholder constituency is not well organized, the Board canvas the constituency for nominees and appoint the member from those nominees.
- 5.1.7 The Board, at its discretion, may appoint additional Advisory Committee members to meet its needs, and/or revise or expand the composition of the Advisory Committee as circumstances and/or industry structure change.
- 5.1.8 One member of the IESO Executive to sit on the Advisory Committee as a non-voting member.
- 5.1.9 The term of Advisory Committee membership be two years and that membership be staggered to promote the effective operation of the committee.
- 5.1.10 Advisory Committee members have a breadth of knowledge about Ontario's electricity market and their constituency that would normally arise from occupying a senior position in their organization.

#### Stakeholder Advisory Committee: Chair and Meetings

It is recommended that:

- 5.1.11 The Advisory Committee be jointly Chaired by a member of the Board of Directors and a member elected by and from the Advisory Committee.
- 5.1.12 The Advisory Committee meet regularly but at a minimum 4 times per year.
- 5.1.13 The Advisory Committee meetings be open to any individual wishing to attend a meeting.
- 5.1.14 All Board members be encouraged to attend Advisory Committee meetings.

## Stakeholder Advisory Committee: Protocols

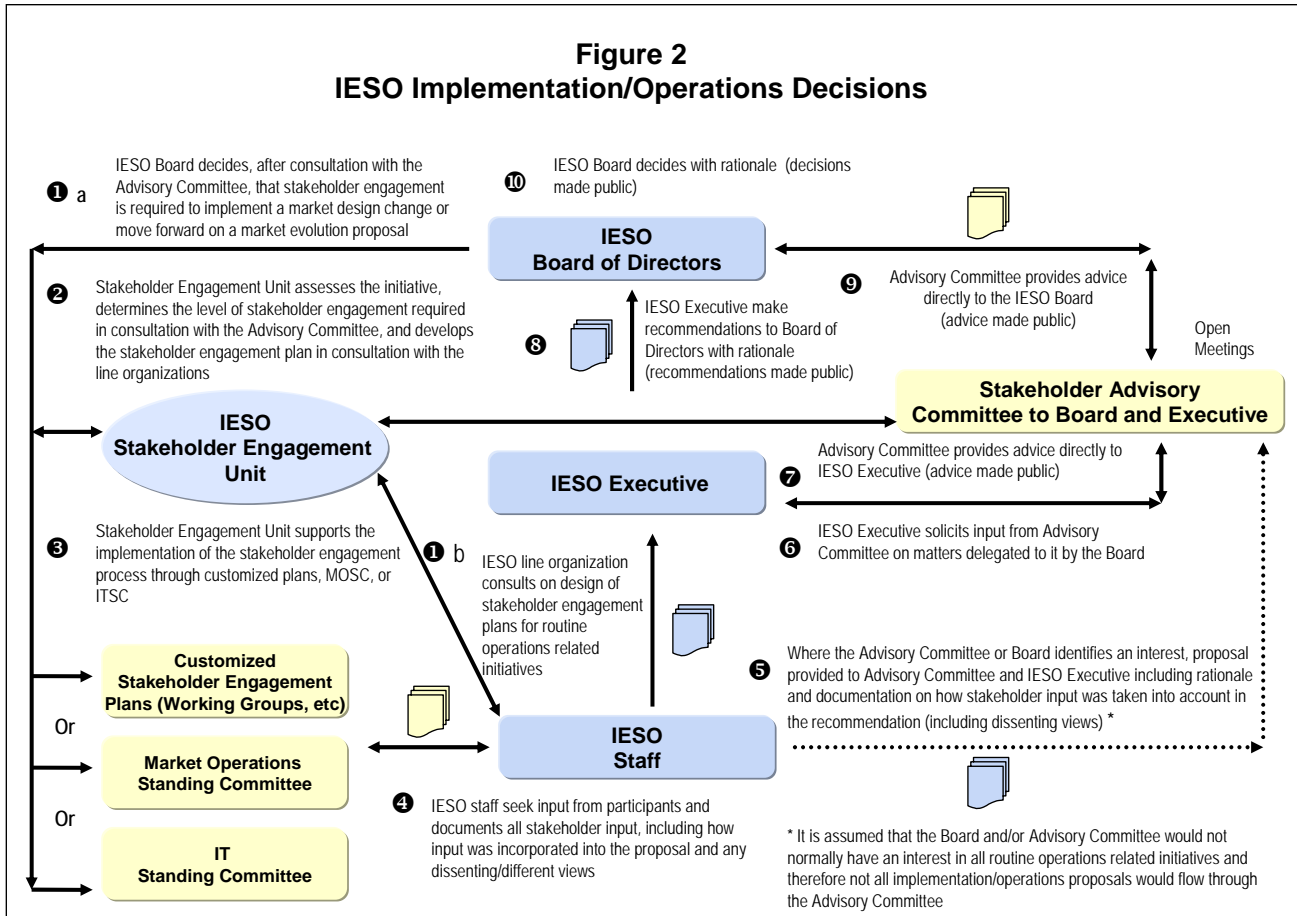
It is recommended that:

- 5.1.15 The Advisory Committee provide its recommendations/advice directly to the Board of Directors (or directly to the Executive where the Board has delegated its decision making responsibility).
- 5.1.16 The Advisory Committee members be responsible for gathering input from their respective constituencies and representing the constituents' views on issues. In this regard, the Advisory Committee could establish Working Groups to assist them in their work.
- 5.1.17 The Advisory Committee recommendations/advice to the Board (or Executive where the Board has delegated its decision making responsibility) be provided through a formal motion and identification of how each member voted including the name of the member and sector that they are representing.
- 5.1.18 In considering advice from the Stakeholder Advisory Committee, the Board of Directors (or the Executive if the advice is to the Executive) should be provided with the views of each sector along with any supporting written rationale. However, given the composition of the Advisory Committee is not necessarily equally balanced but rather broadly reflective of interests, the Board should not aggregate votes across sectors but rather give weight to all positions based on their merit.
- 5.1.19 Upon making a decision with respect to matters on which the Board has been provided advice from the Advisory Committee (assuming the decision is not privileged or confidential), the Board (or the Executive if the advice is to the Executive) should make public its decision along with the rationale for the decision and an explanation of how stakeholder input was taken into account in making the decision.
- 5.1.20 The Advisory Committee be governed by a formal set of protocols developed in consultation with the Advisory Committee and approved by the Board of Directors and include:
  - Protocols for Stakeholder Advisory Committee members to provide written documentation to support their vote if they desire to provide such written documentation;
  - Protocols to make public all recommendations/advice of the Advisory Committee coincident with when the recommendations/advice is provided;
  - Protocols to provide non Advisory Committee members with the opportunity to provide written submissions to the Board to supplement the recommendations/advice of the Advisory Committee;
  - Protocols to provide non Advisory Committee members the opportunity to speak to a topic at Advisory Committee meetings; and
  - Protocols for Advisory Committee agenda development.
- 5.1.21 Protocols be reviewed by the Advisory Committee regularly and changes be recommended for approval by the Board of Directors as required.
- 5.1.22 Advisory Committee members be provided with remuneration consistent with the level of effort required to prepare for and participate in meetings and that the Board of Directors set the remuneration.

## 5.2 Stakeholder Engagement for IESO Implementation/Operations Decisions

Figure 2 provides an outline of the recommended stakeholder engagement framework to support IESO implementation/operations related decisions. IESO implementation/operations decisions would include:

- Implementing market design changes/enhancements arising from the Board decisions in Figure 1a; and
- Routine operations-related initiatives requiring stakeholder input.



The following set of recommendations address the standing committee structure, the creation and role of the IESO Stakeholder Engagement Unit, the stakeholder engagement processes associated with implementation/operations decisions, key protocols associated with these processes, and participant funding.

### Standing Committees

It is recommended that:

- 5.2.1 The Market Advisory Council and Regulatory Affairs Standing Committee be disbanded.
- 5.2.2 The Market Operations Committee and Information Technology Committee continue under their existing mandates and that their operation be monitored to ensure they are effective and efficient.

### IESO Stakeholder Engagement Unit

It is recommended that:

- 5.2.3 A Stakeholder Engagement Unit be created within the IESO and its primary purpose be to manage, coordinate, and support all stakeholder engagement processes and mechanisms across the IESO.
- 5.2.4 The Stakeholder Engagement Unit be responsible for:
  - Designing stakeholder engagement plans;
  - Supporting the implementation of stakeholder engagement plans;
  - Supporting the stakeholder engagement process for all stakeholder engagement mechanisms within the IESO (Stakeholder Advisory Committee, Market Operations Standing Committee, IT Standing Committee, and customized stakeholder engagement mechanisms such as Working Groups, Workshops, Web Broadcasts, etc.);
  - Working with the line organization to ensure that stakeholder engagement activities are appropriately integrated in project schedules;
  - Assisting the line organization in the development of communication materials for stakeholder engagement processes to ensure they are understandable and meet stakeholder needs;
  - Ensuring stakeholder engagement plans and the implementation of stakeholder engagement plans adhere to stakeholder engagement principles;
  - Actively encouraging stakeholders sectors with an interest in an initiative to participate in the process;
  - Assessing the need for independent facilitation; and
  - Monitoring and assessing the effectiveness of the IESO's stakeholder engagement processes and making public the outcomes of the assessments.

### Process

It is recommended that:

- 5.2.5 A stakeholder engagement plan be developed for all implementation/operations initiatives requiring stakeholder input, and that those plans deemed to be significant by either the Stakeholder Engagement Unit or the Stakeholder Advisory Committee, be provided to the Advisory Committee for review and input prior to finalization.
- 5.2.6 Stakeholder engagement activities for implementation/operations decisions be carried out through either the Market Operations Standing Committee, the Information Technology Standing Committee, or other method deemed to best meet stakeholder engagement objectives (e.g. Working Group, Workshop, Task Force, Web Posting, Surveys, Interviews, etc.);
- 5.2.7 While the Market Operations Standing Committee or the Information Technology Standing Committee may create their own Working Groups, these Working Groups should not report through

- the Standing Committees but rather work directly with IESO staff to increase efficiency in the process.
- 5.2.8 Stakeholder engagement activities for implementation/operations initiatives be open to all stakeholders with an interest in the decision.
- 5.2.9 In developing a proposal for an implementation/operations related initiative, stakeholder input be documented, assessed, and incorporated into the proposal where appropriate, and documentation include how stakeholder input was taken into account (including any differing or dissenting views).
- 5.2.10 If the Board or Advisory Committee identifies an interest in an implementation/operations initiative decision, the final proposal and supporting documentation identified above be provided directly to the Executive and Advisory Committee for consideration.

### Protocols

It is recommended that:

- 5.2.11 Protocols be developed to support stakeholder engagement activities related to implementation/operations related initiatives including protocols for:
- Identifying and actively soliciting participation of stakeholders with a likely interest in a decision;
  - Identifying and communicating decision making stages at the outset of the stakeholder engagement process and communicating any changes to those decision making stages should changes be required;
  - Documenting stakeholder input throughout the stakeholder engagement process; and
  - Documenting and communicating IESO responses to stakeholder input throughout the stakeholder engagement process.

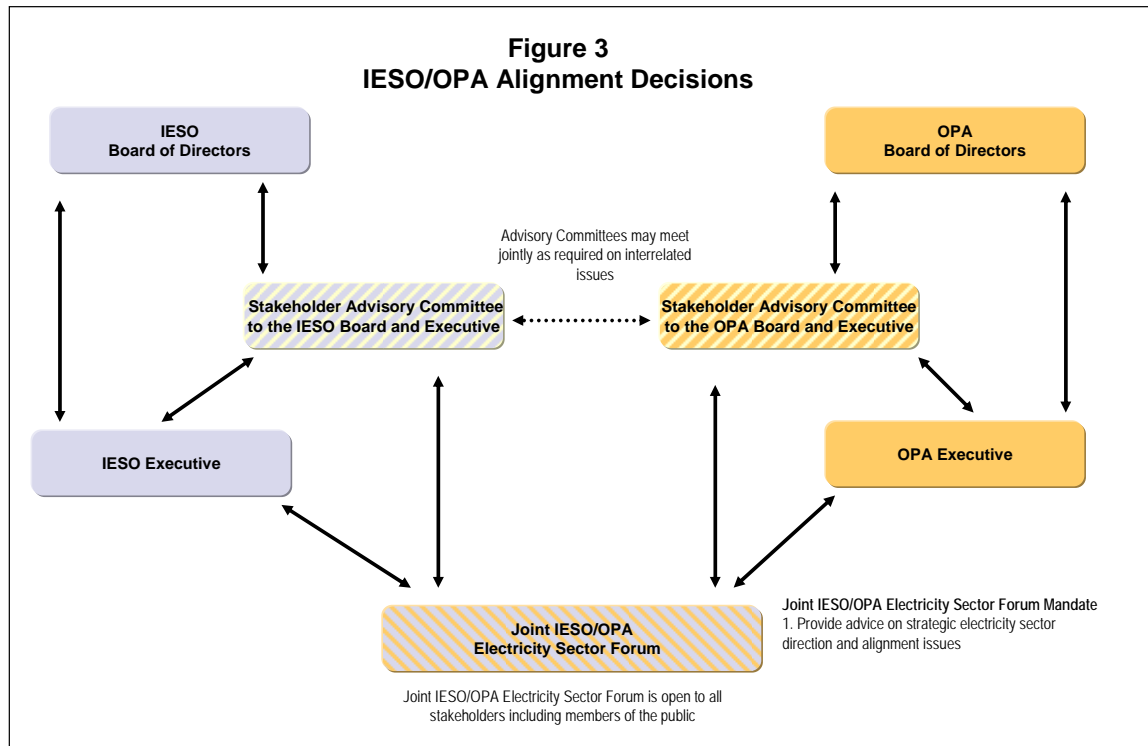
### Participant Funding

It is recommended that:

- 5.2.12 The IESO conduct a participant funding pilot project focusing on one of its stakeholder engagement processes (preferably focusing on a significant market design change of interest to stakeholders traditionally unrepresented in the process).
- 5.2.13 The purpose of participant funding be to enable participation in the process by interests who would otherwise not be able to do so but are directly affected by the decision.
- 5.2.14 Those eligible for such funding be limited to non-profit organizations whose individual members have no commercial interest in IESO decisions.
- 5.2.15 Participant funding not be designed to cover all costs but rather to provide a partial contribution to costs to help enable participation.
- 5.2.16 The Board establish guidelines for requesting and awarding funding for the pilot in order to ensure such funding is used responsibly and efficiently.
- 5.2.17 The results of the pilot be reviewed and assessed to determine its effectiveness for broader application to IESO stakeholder engagement processes.

### 5.3 Stakeholder Engagement for IESO/OPA Policy Alignment Decisions

While the IESO and Ontario Power Authority (OPA) have distinct accountabilities under the Electricity Restructuring Act, the two organizations will be addressing a number of interrelated issues across the continuum that has long range plans at one end and real-time operations at the other. Stakeholders identified the need early in the review process for a mechanism to provide advice to the two organizations on alignment/coordination issues, and a mechanism was presented in the Stakeholder Engagement Principles and Frameworks Working Paper (the Electricity Sector Forum) to address this need (see Figure 3 below).



The proposed Joint IESO/OPA Electricity Sector Forum (ESF) would be:

- A Forum for participants to be apprised of the IESO and OPA's activities, and to provide advice to the IESO and OPA on sector alignment and coordination issues;
- Open to all stakeholders including members of the public; and
- Meet at a minimum semi-annually, and be chaired jointly by the IESO, OPA, and a stakeholder appointed Chair.

Stakeholder feedback on the proposed ESF has been mixed. Some stakeholders felt the ESF is a good idea. Others expressed the view that it would be too large to be effective. Still others believed that there may not be enough overlap between the IESO and OPA to justify the need for such a group. Given the varying views on establishing the Electricity Sector Forum, we recommend that:

- 5.3.1 The Electricity Sector Forum not be established at this time.
- 5.3.2 The IESO Board should monitor the extent to which there is a need to establish a formal stakeholder engagement mechanism to address alignment issues between the IESO and OPA, and should a significant need be identified, the IESO should work with the OPA to establish such a mechanism.
- 5.3.3 As an interim measure, should significant alignment issues arise, the IESO Stakeholder Advisory Committee and the OPA Stakeholder Advisory Committee (should an OPA Advisory Committee be established) meet jointly to consider and provide advice on such alignment issues or the IESO and OPA establish a Joint Working Group to consider and provide advice on specific alignment issues.
- 5.3.4 Any joint Working Group established be open to all stakeholders with an interest in the topic.