MEETING NOTE

NAME OF ORGANIZATION: Independent Electricity System Operator (IESO)

DATE/TIME OF MEETING: TBC

LOCATION OF MEETING: TBC

PURPOSE:

ATTENDEES: **Deputy Minister**
Serge Imbrogno

President and Chief Executive Officer, IESO
Peter Gregg

ANTICIPATED AGENDA ITEMS (OR 'AGENDA' IF WE HAVE RECEIVED ONE):

1. Long Term Energy Plan
2. Ontario's Fair Hydro Plan
3. Ontario / Quebec Electricity Trade Agreement
4. Green Ontario Fund

NOTES ON AGENDA ITEMS:

1. Long-Term Energy Plan

Suggested Response:

- **The Ministry of Energy is developing the next Long-Term Energy Plan (LTEP), which sets out the direction for Ontario's energy future.**
- **The Ministry is preparing draft LTEP chapters based on the initiatives discussed at briefings with the Minister and his staff. The Ministry and IESO will continue to brief the Minister and Premier's Office as required.**
- **The Ministry will continue to work with the IESO on modelling and its implementation directive. The Ministry plans to highlight modelling outlooks and the content from the directive in its LTEP Cabinet submission.**
- **Pending Cabinet approval, the Ministry anticipates releasing the LTEP in September 2017.**

Background:

- The Ministry is working with the LTEP writer to develop draft chapters. The chapters will highlight LTEP initiatives as well as demand, supply, emission and cost outlooks.

- Pending further discussions, the IESO base case will be an Outlook B from the OPO combined with recent developments and higher EV uptake.

- Ministry staff and IESO are continuing to work together on a draft IESO directive. The Ministry will seek Cabinet approval on the directive's content in late July when it seeks approval on the LTEP.

- The Ministry plans to seek Cabinet approval of the draft LTEP and implementation directives on July 26, 2017. The Ministry will table a final LTEP for Cabinet approval in late August.

2. Ontario's Fair Hydro Plan

Suggested Response:

- **Implementation of Ontario's Fair Hydro Plan (OFHP) requires support from agencies and stakeholders such as IESO.**

- **I appreciate IESO's efforts to date, particularly in light of the challenging timelines.**

- **Following the *Fair Hydro Act, 2017* receiving Royal assent being received on June 1, 2017, what are the expected timelines for sale of the Regulatory Asset to OPG/financing entity?**

- **What challenges if any exits in including OFHP in IESO's Long-Term Energy Plan forecasts?**

Background:

- On June 1, 2017, Bill 132, the *Fair Hydro Act, 2017* (FHA) which enables GA Refinancing under the *Ontario Fair Hydro Plan Act, 2017* (*OFHPA*) and related amendments to the *Electricity Act, 1998* and the *Ontario Energy Board Act, 1998* (OEBA).
- Under *OFHPA*, the IESO will record deferral in the recovery of GA amounts as a Regulatory Asset to be transferred to OPG as an Investment Asset. The legislation establishes a structure in which IESO records the GA cost recovery deferral as a "regulatory asset". The regulatory asset defers IESO's right to collect what it would have otherwise received from customers/LDCs if not for the implementation of the OFHP.
- The IESO may then sell the regulatory asset, at which time it becomes an "investment asset." The investment asset owner (OPG Trust or financing entities) may then further sell or securitize all or part of the regulatory asset to other parties in exchange for a funding obligation.
- On June 27, 2017, ENERGY is seeking approval to create a new Regulation under the Ontario Fair Hydro Plan Act (*OFHPA*) to enable the implementation of GA Refinancing.

The proposed regulation would, if approved, provide further detail on the roles and responsibilities of the Independent Electricity System Operator (IESO) in relation to the Regulatory Asset.

- IESO has been involved throughout the drafting process for the regulations and legislation.

3. **Ontario/Quebec Electricity Trade Agreement**

<u>Suggested Response:</u>

- **We appreciate the efforts from IESO to support modelling and evaluation of the potential options to expand electricity trade between Ontario and Quebec.**

<u>Background:</u>

- In December 2016, Ontario and Quebec finalized an agreement to enable clean electricity trade between the provinces which will reduce greenhouse gas (GHG) emissions and ensure system reliability and affordability. The agreement's term is from January 1, 2017 to December 31, 2023.

- In recent discussions with Ontario, Quebec has outlined an "informal" proposal for an enhanced, long-term electricity trade agreement with Ontario.

- Detailed modelling and impact analysis is required to understand the impact of the QC proposal for Ontario.

- IESO, OPG, Infrastructure Ontario (IO) and Deloitte are working collectively with the Ministry in the preparation of this modelling / impact analysis.

- IESO modelling will focus on the impact of the proposed deal on the electricity system.

    - Analysis will consider four different scenarios which explore additional supply from Quebec replacing nuclear and / or gas-fired generation in Ontario to varying degrees.

- Modelling and analysis are on-going and expected to complete in time for negotiation to establish a deal term sheet between Ontario and Quebec by the end of July.

4. **<u>Green Ontario Fund</u>**

Discuss key next steps for IESO delivery of Green Ontario Fund programs for Summer/Fall 2017, including amending direction from the Minister of Energy and collaborative agreement between IESO and MOECC.

SUGGESTED RESPONSE

- **I have been pleased to see IESO's conservation expertise and resources being**

leveraged to support initial program development, as well as online and customer support services, for the Green Ontario Fund.

- **The IESO has an important role to play in helping to ensure that Green Ontario Fund programs build on the success of the province's existing energy efficiency programs.**

- **ENERGY, working with IESO,has drafted a Minister's amending direction to facilitate the IESO's role as a delivery partner for Green Ontario Fund programs. We are working with IESO and MOECC to have the amending direction ready to issue to IESO in mid-July.**

- **Continued collaboration will be important to maximize efficiencies and ensure a customer-centric approach. We look forward to continuing to work closely with the IESO and MOECC to support the successful implementation of new low-carbon technology programs under the Green Ontario Fund.**

Background

Key Next Steps

- IESO has communicated to MOECC that two elements would be needed for the IESO to deliver the Green Ontario Fund program streams identified for IESO delivery in MOECC's May 30, 2017 Treasury Board submission. These two elements would reduce the risk to the IESO of operating outside of its legal authority in offering GHG reduction programs targeting other fuels:

    - Amending direction to the March 31, 2014 direction establishing the 2015-2020 Conservation First Framework (CFF) to enable IESO to deliver Green Ontario Fund programs to complement CFF programs.

        - ENERGY has worked with the IESO to draft the amending direction and has shared with MOECC for comment. ENERGY is working to have this ready to be issued by the end of June/early July. As of July 26, ENERGY is awaiting review of the draft collaboration agreement to ensure consistency with the direction, and MOECC comments on the direction. Consideration will need to be given to the timing of the direction, given communications implications for MOECC since directions are posted on the IESO website.

        - The direction should be issued before an agreement (see below) to be entered into between MOECC and IESO.

        - At the June 26th joint MOECC and ENERGY DMs and CoS meeting, it was agreed that issuing the direction in mid-July would align with MOECC's current GOF launch/roll-out timeline.

    - Collaborative agreement between IESO and MOECC. This agreement would be in addition to the Service Level Agreement (SLA) currently in place.

    - The collaborative nature of the agreement is important from a legal authority perspective. IESO's objects under the *Electricity Act, 1998* all relate to electricity. An agreement where both parties mutually benefit and are delivery partners lessens the IESO's responsibility for the delivery of non-electricity programs. IESO would still maintain a direct tie to electricity conservation through programs that delivered packaged measures.

    - MOECC and IESO are using the TPA template as a base with additional provisions and schedules as needed to make the agreement more collaborative.

    - Given the complexity of the agreement, and based on the time involved in developing the Service Level Agreement between IESO and MOECC, ENERGY is of the view that an agreement could be in place by late July at the earliest.

- For the amending direction, ENERGY is proposing that IESO and LDCs may claim savings from the province-wide in-store smart thermostat program towards their CDM targets, in proportion to the funding from the CFF budget. Lessons learned from sharing savings for this program can help inform future policy regarding counting savings that result from Green Ontario Fund programs towards LDC targets.

- In the longer term, IESO has communicated to MOECC that in order to deliver programs that do not include an electricity component, and to support integration with existing conservation programs, IESO may require changes to its objects under the *Electricity Act, 1998*.

SLA Between MOECC and IESO

- On April 28, 2017, MOECC and IESO executed a Service Level Agreement for the IESO to:

    1. Design, establish and maintain a website that will provide a clear and consistent message to website visitors and provide information and resources to the Green Ontario Fund audiences.

    2. Provide client relations management services to all clients aiming to reach out to the Green Ontario Fund for assistance and information.

    3. Provide early advice to the MOECC to inform the development of new programs to meet the requirements of the Green Ontario Fund mandate.

    4. Conduct any agreed upon follow-up assignments related to the above.

    5. Work together to be in a position to transfer control and operation of the website, call centre data and toll free number to Green Ontario Fund.

- ENERGY also sits on the Green Ontario Fund website working group, which includes PO, CO Communications, MOECC (MO, Comms and policy staff), IESO, and Q3 (IESO's website vendor).

- The Green Ontario Fund (GreenON.ca) website is anticipated to launch in early July or in August 2017 along with a Minister's media event (TBD). Sign-up for the home energy concierge service to be operational for the website launch.

MOECC TB Submission

- On May 30 and May 31, 2017, MOECC reported back to TB and Cabinet, respectively, to seek approval for several items, including, based on the draft submission:
  - Proposed program offerings.
  - An announcement of $378 million in 2017-18 for the Green Ontario Fund, including an immediate release from holdback of $50 million to be transferred to the Cap and Trade vote item.
  - Ability to enter into multi-year transfer payment agreements with the IESO, and other third parties.
  - Operational requirements for the new agency (agency estimated to be comprised of 60-75 staff).
- The following program streams were identified for delivery by IESO in the TB submission. To note, IESO had, before May 30, only had significant discussions with MOECC regarding *residential* program delivery:
  - Home Energy Concierge Service: program to offer free installation of a smart thermostat for 100,000 homes, a walk-through assessment of energy savings opportunities, and information on incentive programs for owners of single family homes.
  - Province-wide Smart Thermostat Rebate: rebate to provide $100 off a homeowner's purchase of a smart thermostat from a retail store
  - Low Carbon Technology Incentives for homes and multi-unit residential buildings (MURBs): rebates for a variety of low carbon technologies (e.g. solar PV, geothermal, air source heat pumps).
  - Low Carbon Technology Incentives for small and medium sized commercial businesses (similar technologies as for homes and MURBs).
  - Concierge Service for Manufacturing Small and Medium Sized Businesses/Enterprises (SMEs): program to provide an on-site walk-through or audit, technical advice and outreach to SMEs.