

INDEPENDENT ELECTRICITY SYSTEM OPERATOR (IESO)

ISSUE:

The Independent Electricity System Operator (IESO) is an agency of the Ministry of Energy responsible for overseeing the wholesale electricity market, tracking supply and demand, and planning for the province’s medium and long-term energy needs.

KEY MESSAGES:

- The IESO is responsible for ensuring there is enough power to meet the province’s electricity needs in real time while planning and securing electricity supply for the future.
- The IESO is committed to developing clean, cost-effective alternatives to building new generation.
- January 1, 2015 was the start of the new IESO after the merger with the legacy Ontario Power Authority (OPA). All functions and activities of the OPA were continued in IESO after the merger.
- The merger of IESO with the Ontario Power Authority increased operational efficiency, created synergies and contained costs by:
 - Bringing short, medium and long-term planning functions together,
 - Simplifying the electricity sector for industry and consumers; and
 - Better aligning contract activities with market operations to benefit ratepayers.
- The IESO manages reliability of the province-wide power system, ensuring that real-time electricity needs are met, while also planning and securing energy for the future.
- The mandate of IESO is embodied in the Electricity Act and in the regulations made under the Act, as well as in its licence issued by the Ontario Energy Board (OEB).
- The IESO has ten Board members and a CEO that is appointed by the Minister. The CEO is Peter Gregg. The Chair of the Board is Tim O’Neill.
- The merger has driven savings including a workforce reduction, real estate savings and the elimination of one Board Directors.

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KEY INITIATIVES / RESPONSIBILITIES:

Renewable Energy Grid Integration

- Responsible for managing Ontario’s high-voltage electricity system including managing integration of renewable energy into the grid.

Energy Forecasting and Planning

- Forecasts demand for electricity in Ontario and assesses adequacy of generation and transmission facilities to meet those needs.
- Planning and preparing to meet Ontario’s short term, medium term and long term electricity needs

Oversee Ontario’s Power System

- Operates the wholesale electricity market, including balancing the supply and demand of electricity on a second by second basis.

- Designated as the Smart Metering Entity to manage consumption data for time-of-use rate implementation.
- Directs the flow of electricity on Ontario’s high-voltage transmission lines.

Conservation:

- Promote conservation by engaging communities across Ontario and coordinating province-wide conservation programs

Financial settlement:

- The IESO oversees and reconciles more than \$17 billion in funds from IESO-administered markets, related services, programs and electricity charges.
- The IESO will also administer the variance account under Ontario’s Fair Hydro Plan.

BACKGROUND:

- The 2007 Agency Review Panel examined the five provincial energy agencies to assess potential overlaps with a view to identifying areas for efficiency improvements.
- The 2012 Drummond Report recommended that a review of the roles of various electricity sector agencies should be conducted to identify areas for economies in administration, including investigating the potential to co-ordinate back-office functions.
- In response, the Province introduced Bill 75 in April 2012 that proposed to merge the OPA and IESO, however the Bill died on the order paper when the House was prorogued in October 2012.
- As part of the July 2014 budget, the government reintroduced legislation to merge the OPA and IESO into one agency. The legislation was proclaimed into force on January 1, 2015.

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AGENCY OVERVIEW:

- The IESO’s mandate is established in legislation and regulations, primarily through the *Electricity Act, 1998*. Through amendments to the *Electricity Act, 1998*, the operations of the IESO and the OPA were merged on January 1, 2015.
- The IESO is a not for profit corporate entity. It is governed by an independent Board whose Chair, directors and the first CEO of the amalgamated entity are appointed by the Government of Ontario.
- The IESO’s primary responsibilities include the combination of the former OPA and IESO. It ensures there is enough power to meet the province’s energy needs in real time while also planning and securing energy for the future. It does this by:
 - Balancing the supply of and demand for electricity in Ontario and directing its flow across the province’s transmission lines;
 - Planning for the Province’ medium and long-term energy needs and securing clean sources of supply to meet these needs;
 - Overseeing the electricity wholesale market where the market price of electricity is set; and
 - Fostering the development of a conservation culture in the province through programs such as saveONenergy.

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IESO BUSINESS PLAN

- The IESO business plan 2016-18 was submitted to the Minister for approval in September 2015 as required by legislation.
- The Minister approved IESO business plan in December 2015. The key elements in the

approved business plan include:

- Progress well underway in meeting the target synergies savings of \$5.3M as a result of the merger, and sustained savings throughout the planning period.
 - Progress well underway in reaching an overall “net zero” outcome in compensation in 2015-18 to offset the increase from collective agreements.
 - FTE reduction of 35 employees in 2015, additional 6 in 2016, and further FTE declines planned for 2017 and 2018 as a result of business enhancement and efficiencies initiated after the merger.
 - Transitional work to continue in 2016, including implementation of the province’s Conservation First Framework.
 - Based on a revenue requirement for 2016 at \$182.1M, IESO is proposing a combined usage fee charged to all customers at \$1.13/MWh for 2016. This represents a reduction by 9 per cent from the current 2015 OPA-IESO combined per-merger levels.
- The IESO continues to charge the 2014 fees that were approved by the OEB for the predecessor IESO and OPA respectively in 2015, until the OEB approves a new fee.
 - The IESO’s business plan 2016-18 approved by the Minister will form the basis for the IESO’s revenue requirements, expenditures and fees it proposes to charge for 2016, and is subject to the approval by the OEB through a public review process.

	2014 Budget (Pre-merger)		2014 Usage Fee (\$/MWh) (continued in 2015)	2016 Approved		Proposed 2016 (\$/MWh)	% Change 2015 vs 2016
	FTE	Budget	Usage fee	FTE	Budget	Usage fee	Usage Fee
OPA	260	\$60.3 M	\$0.439	--			
IESO	459	\$130.0 M	\$0.803	--			
Combined	719	\$190.3 M	\$1.242	--			
The New IESO (post-merger)				688	\$182.1 M	\$1.13	(9.0%)