FW: IESO Annual Report

From: "Hindmarch-Watson, Tim (CAB)" <tim.hindmarch-watson2@ontario.ca>
To: "Donelson, Philip (OPO)" <philip.donelson@ontario.ca>
Cc: "Moore, Karen (CAB)" <karen.moore4@ontario.ca>
Date: Wed, 25 Apr 2018 10:18:12 -0400
Attachments: IESO AR 2017 Min Submission Form.pdf (338.26 kB)

Hi Phil:

We can expect the hard copies soon, but the report is available online should you want to review before this is delivered. Let me know if you are supportive of this tracking to the May 2 Cabinet.

The ministry is advising that it is not anticipated that there will be negative public response or issues raised by stakeholders when this annual report is tabled. The 2017 Annual Report has been posted on the IESO website.

- The IESO submitted its 2017 annual report to the Ministry on April 3, 2018, 90 days after the end of its fiscal year as required by the Electricity Act, 1998.
- Section 25(3) of the *Electricity Act, 1998* requires that the Minister submit the annual report to the Lieutenant Governor in Council (LGIC) and then table the report in the Assembly.
- The IESO can release its annual report to the public prior to the report being submitted to LGIC. The 2017 Annual Report has been posted on the IESO website at:http://www.ieso.ca/corporate-ieso/media/publications

2017 Highlights

Recognition of a Changing Environment

- The IESO recognizes significant change in the electricity sector with the replacement of coal generation with renewable resources, the growing role of conservation and demand response and the increasing role of consumers in monitoring and managing their consumption.

Market Renewal Project

- Underpinning the IESO's efforts to plan and prepare for the future is the Market Renewal project, which was formally launched in 2017.
- At a high level, Market Renewal is intended to refine the way in which the IESO procures, schedules, dispatches and compensates providers of energy, capacity and other essential grid services, which will reduce overall system costs. When fully implemented, Market Renewal is expected to result in up to $5.2 billion in efficiency improvements over a 10-year period.

Engagement

- The IESO's approach to engagement broadened in 2017, bringing a fresh set of ideas and opinions into consideration. New in-person engagement mechanisms – including, for example, five regional forums and an Indigenous Community Energy Symposium co-hosted with the Ministry of Energy – complemented existing mechanisms and initiative-specific engagements. On the digital front, the corporate website, www.ieso.ca , underwent a complete redesign and now includes a new section for content related to energy innovation known as "Powering Tomorrow."

Reliability

- New competition in the IESO's reliability services markets is also helping to drive costs down. In November 2017, the IESO announced that two new energy storage facilities had been selected through a competitive process to help support the reliability, flexibility and efficiency of the province's electricity grid. The successful parties will provide a combined 55 megawatts of regulation service, an important grid-balancing function that corrects for short-term changes in electricity use that might affect the reliability of the power system. These projects represent one of the largest reductions in per-unit regulation costs since Ontario's electricity market opened.

Conservation

- Ontario continues to make steady progress towards its 2020 conservation target of 8.7 terawatt-hours (TWh) of energy savings through the Conservation First Framework (CFF) programs and the Industrial Accelerator Program (IAP). The CFF is on target and under budget at the halfway mark, having achieved 3.85 TWh (55% of the CFF target [1]) of energy savings in the first half of the framework.

Organization Realignment

- The IESO underwent an organizational realignment in the fourth quarter of 2017. The new Policy, Engagement and Innovation group aligns the various IESO resources to more effectively develop policy that reflects the broader objectives of the IESO and Ontario's electricity sector, including the need to foster innovation. This group is also responsible for leading the IESO's engagement efforts with customers and stakeholders, the energy regulator, the government and others to ensure their input is actively sought and considered as new initiatives are advanced.

Cyber Security

- In 2017, the IESO continued to play a leadership role in the field of cybersecurity by leading collaborative forums to share best practices and by hosting executive level cybersecurity briefings to share lessons from experts around the world. The IESO implemented new detection technology in 2017 to further protect confidential information and is currently expanding its cybersecurity governance framework over the next two to three years to meet the National Institute of Standards and Technology Cybersecurity Framework, which will establish effective security governance around external vendors.

Long Term Energy Plan (LTEP)

- The Minister of Energy released the government's *Long-Term Energy Plan* (LTEP) in October 2017. The IESO has since worked with stakeholders and communities to develop an implementation plan – *Putting Ontario's Long-Term Energy Plan Into Action* – that supports many of the initiatives identified in the LTEP, which touch on many of the IESO's core functions. The work described in this plan will take place over several years, requiring regular engagement and collaboration by the IESO and its partners.

Fair Hydro Plan

- Under Ontario's Fair Hydro Plan, the IESO continues to settle the market and recover Global Adjustment from customers, but as a result of the fair adjustment applicable to specified consumers (defined in the Ontario Fair Hydro Plan Act, 2017), the IESO collects less than the full amount of the Global Adjustment. The IESO records the shortfall together with the costs of financing the shortfall, the amounts charged to the IESO by the Fair Hydro Trust in respect of the carrying costs of the Fair Hydro Trust, when applicable, and certain other amounts in a Deferred Global Adjustment Variance account.

- The cumulative amount recorded in the Deferred Global Adjustment Variance account to the end of December 2017 was $1,378,000,000. On December 21, 2017, a regulatory asset in the amount of $1,179,000,000 was transferred to the Fair Hydro Trust. As a result, as at December 31, the Deferred Global Adjustment Variance account balance was $199,475,000, including interest and carrying charges.

- The report also provides details on the IESO's market debt including the newly established $2,000,000,000 credit facility with the OFA to support the IESO in its role under the OFHP.

Fiscal Performance

- The IESO core operations expenses have decreased by 4.2% between 2016 and 2017.
- *However, core operational revenues also decreased by 1.9% between 2016 and 2017.*

Independent Auditors' Report

- *KPMG LLP – "In our opinion, the financial statements present fairly, in all material respects, the financial position of IESO as at December 31, 2017, and its results of operations and the changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards."*

Tim Hindmarch-Watson
416-325-4618

From: *Pastori, Andrea (ENERGY)*
Sent: *April-25-18 10:13 AM*
To: *Hindmarch-Watson, Tim (CAB); Schlaepfer, Martin (ENERGY)*
Cc: *Armstrong, Hillary (ENERGY); Chatterjee, Jeet (ENERGY)*
Subject: *RE: IESO Annual Report*

Hi Tim,

All the materials are with Jason now. Here is the final piece that was delivered this morning.

Thanks
Andrea

From: *Hindmarch-Watson, Tim (CAB)*
Sent: *April-25-18 10:12 AM*
To: *Schlaepfer, Martin (ENERGY)*
Cc: *Armstrong, Hillary (ENERGY); Pastori, Andrea (ENERGY); Chatterjee, Jeet (ENERGY)*
Subject: *RE: IESO Annual Report*

Great. Thanks

Tim Hindmarch-Watson
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From: *Schlaepfer, Martin (ENERGY)*
Sent: *April-25-18 10:12 AM*
To: *Hindmarch-Watson, Tim (CAB)*
Cc: *Armstrong, Hillary (ENERGY); Pastori, Andrea (ENERGY); Chatterjee, Jeet (ENERGY)*
Subject: *RE: IESO Annual Report*

Folks just signed off yesterday so we are working on submitting all the materials now.

Martin

From: *Hindmarch-Watson, Tim (CAB)*
Sent: *April 25, 2018 10:11 AM*
To: *Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca>*
Cc: *Armstrong, Hillary (ENERGY) <Hillary.Armstrong@ontario.ca>; Pastori, Andrea (ENERGY) <Andrea.Pastori@ontario.ca>*
Subject: *IESO Annual Report*

Hi Martin:

Just following up to remind you that today is the deadline for submitting materials to ECO related to annual reports that are proposed for tabling at Cabinet on May 2nd.

Thanks,

Tim Hindmarch-Watson
Policy Advisor
Justice, Resource and Environmental Policy
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