

RE: Mosaic Alert - AR-2599 Independent Electricity System Operator (IESO) 2017 Annual Report - Added.

From: "Hindmarch-Watson, Tim (CAB)" <tim.hindmarch-watson2@ontario.ca>
To: "Moore, Karen (CAB)" <karen.moore4@ontario.ca>
Date: Mon, 16 Apr 2018 15:55:41 -0400

Hi Karen:

Don't have a ministry sub yet or the formal copies, but in case this does still track this week as the ministry would like, below is a summary of the highlights largely from bootleg ministry materials. I will send to Phil, if you are good with it.

- 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 target¹) 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.*

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.

Tim Hindmarch-Watson
416-325-4618

From: Hindmarch-Watson, Tim (CAB)
Sent: April-10-18 3:47 PM
To: Greenberg, Martha (CAB); Moore, Karen (CAB)
Subject: FW: Mosaic Alert - AR-2599 Independent Electricity System Operator (IESO) 2017 Annual Report - Added.

FYI. Relevant sections of the Electricity Act below. It has also already been posted on the IESO website:

<http://www.ieso.ca/en/sector-participants/ieso-news/2018/04/ieso-2017-annual-report-posted>

Annual report

25.3 (1) The IESO shall, within 90 days after the end of every fiscal year, submit to the Minister an annual report on its affairs during that fiscal year, signed by the chair of its board of directors. 2014, c. 7, Sched. 7, s. 3 (1).

Financial statements

(2) The audited financial statements of the IESO shall be included in the annual report. 2014, c. 7, Sched. 7, s. 3 (1).

Tabling

(3) The Minister shall submit the annual report to the Lieutenant Governor in Council and shall then table the report before the Assembly if it is in session or, if not, deposit the report with the Clerk of the Assembly. 2014, c. 7, Sched. 7, s. 3 (1).

Other persons

(4) The IESO may give its annual report to other persons before the Minister complies with subsection (3). 2014, c. 7, Sched. 7, s. 3 (1)

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From: mosaicmb@cab.gov.on.ca [mailto:mosaicmb@cab.gov.on.ca]

Sent: April-10-18 11:04 AM

To: Baguio, Theresa (TBS); Azzopardi, Jason (CAB); Trentadue, Jonathan (CAB); Hindmarch-Watson, Tim (CAB)

Subject: Mosaic Alert - AR-2599 Independent Electricity System Operator (IESO) 2017 Annual Report - Added.

Mosaic Alert

AR-2599 Independent Electricity System Operator (IESO) 2017 Annual Report has been added to Mosaic.

Ministry Information:

ENERGY-Lead

Item Description:

IESO 2017 Annual Report

This item was added by MOSAIC on April-10-18 11:03:55 AM

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