

March 6, 2017 Town Hall remarks

Draft: March 1, 2017

After Len Kula's opening comments at Adelaide:

- Thank you Len and congratulations on your first time as MC at a town hall...
- And good afternoon to all of you and thanks for coming. This is the first opportunity for us meet in as a large group since the start of the new year and this is also the first time that I have spoken to you since the all-employee meeting at the Sheraton in December, so it's good to be here with you.
- For those who are not able to attend either of the town halls, the Clarkson session will be recorded and made available on the Hub.
- I want to update you on a number of developments that have occurred since we last met, so we might as well get going...

Demand Response Auction

- So late last year, the IESO held the second demand response (DR) auction. This was for capacity during summer of 2017 and the 2017-18

winter period. The good news is that the auction resulted in both increased participation as well as prices for DR capacity that are 12 to 17 percent lower than those achieved in 2015. In addition to the industrial, commercial and institutional consumers, for the first time, residential homeowners were able to participate through an aggregator, in the auction and were successful in being selected.

- The DR auction is an important part of the transition to a more cost-effective, market-based platform for this resource. What we learn from this exercise can then be applied to the market renewal effort of looking toward a capacity auction for all incremental resources.
- The next DR auction will be held in December 2017 for delivery of DR capacity between May 2018 and April 2019.

Market Renewal

- I spoke to you in December about the market renewal initiative on which the IESO is embarking. I mentioned that we would start to mobilize our resources to deliver on the project. And, by now, I am

sure that most of you have seen this start with announcements by email and postings to the Hub about the job opportunities associated with this effort.

- Market renewal will be a major undertaking – both for us as an organization and for Ontario’s electricity sector. It represents the most significant enhancement of our electricity market design since the market first opened over a decade ago. And I believe strongly that this initiative will result in a more efficient and dynamic market for Ontarians and provide real public value. It has been included in speeches by the Minister and was one of the items mentioned in the Premier’s plan to make hydro rates more affordable that was announced last Thursday. More about that in a moment.
- I also mentioned in my December remarks that we had been working on a cost benefit analysis for the market renewal project. We engaged the Brattle Group as key advisors in this work and a second draft of the benefits case has just been (or is about to be) posted to the website (note: expected to be posted on Monday). The final version is due to be available at the end of March.

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- The next step for us to now start the process of engaging with stakeholders on the design of the different initiatives. Stay tuned for more information as things start ramping up. You'll hear more detail about market renewal a little later on from Tom Chapman and Shawn Cronkwright.

Business Plan

- We had originally submitted our 2017-2019 Business Plan to the Minister last fall. He asked us to revise it to include the resources that would be required for the market renewal initiative. That update was completed and it was resubmitted to the Minister on Feb. 1. Once it has final approval, we will post it on the website and the Hub, and it will become part of our rate application to the OEB. We'll keep you posted on this front. (update if required).

Ontario Science Centre

- A few weeks back we held an IESO staff and family day at the Ontario Science Centre to mark the start of a five-year partnership between the IESO and the Science Centre to bring energy knowledge

and understanding to all Ontarians. Under this agreement, the IESO is the lead supporter of *The Energy Show* as well as a supporter of the Centre's two energy-related school programs.

- *The Energy Show* is a family-friendly 30-minute presentation that delves deeper into the principles and concepts of energy. Guests of all ages can learn about the different types of renewable and non-renewable sources of energy and are encouraged to think about the way they used energy in their daily lives. The show includes interactive and animated segments, experimentation and collaboration.
- I spoke at the event and was impressed with how well it was organized and pleased to see so many IESO employees and their families make it out on what was not the best of weather days.
- A big thank you to Martine and Karina for their efforts in making the event such a success and thank you too to John Jeevanathan and JoAnne Hosick who provided technical support for content development for the show.

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- If you were not already aware, throughout the five years of the sponsorship, IESO employees will receive 20 percent off general admission price to the Centre when you purchase tickets over the phone. Information on how to do that is available on the Hub.

Intertie Report

- The IESO is moving forward on the recommendations in the 2014 Intertie Report to enable the import and export of capacity, more frequent intertie scheduling and the expanded provision of operating reserve through intertie transactions. The report has now been updated with new analysis on the Quebec intertie and was recently submitted to the Deputy Minister.
- The report focuses on the technical capabilities of the interties and the Ontario transmission system. It also outlines possible infrastructure investments and market factors that could influence decisions on transactions between Ontario and Quebec.
- Intertie transactions are beneficial when they measurably improve the reliable, cost-effective operation of Ontario's power system.

Interconnected electricity markets provide a significant opportunity to efficiently utilize the energy generated from a diverse range of resources over a much greater geographic area, thereby lowering the cost of producing and managing electricity for all parties.

- As the IESO works to enhance its wholesale markets to better meet system needs, improvements under consideration include enabling the trade of capacity to meet reliability needs as well as the trade of energy and ancillary services, which already happens on an economic basis. A more dynamic market will provide increased opportunities for trading energy, ancillary services and capacity over the interties.
- As part of the Market Renewal project the IESO has identified opportunities to lower the cost and risks associated with trading as well as enable trading to occur on a more frequent basis. These initiatives would enhance the value that energy trade (including transactions with Quebec) could provide in meeting Ontario's operational needs as well as lowering costs and emissions in the process.

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- You have probably heard by now that the government is planning to lower electricity bills by 25 percent on average for all households in the province.
- This reduction should be available starting this summer. People with low-incomes and those living in rural areas are expected to see greater reductions, and it's expected that rate increases will be held to the rate of inflation over the next four years.
- What does this mean for us? One thing it means is the IESO will be involved in the re-financing of the global adjustment. We will be working closely with Ontario Power Generation to make this happen.
- I want to make clear, as there may have been some confusion from the media reports, that this does not affect existing contracts.
- (check for additional messages from Andrew's note)

New IESO Board members

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- The IESO welcomed three new members to its Board of Directors last week appointed by the Minister. Christopher Henderson, Glenn Rainbird and Ersilia Serafini joined the board effective March 1, 2017.
- Christopher Henderson is President of Lumos Clean Energy Advisors, which provides expert advice to First Nations, Métis and Inuit leaders on their participation in generation, transmission and geothermal projects and community energy planning. He was a member of the IESO's Local Advisory Committee in Ottawa.
- Glenn Rainbird currently serves on the Board of Governors of the Royal Military College of Canada, is a member of the RCAF Commander's Council and is an RCAF Honorary Colonel.
- Ersilia Serafini is President and CEO of Summerhill, a leading energy-efficiency and demand response program implementation company. She was Vice-Chair of the IESO's Stakeholder Advisory Committee.
- These new Board members replace Ron Jamieson, Bruce Lourie and Bill Museler who left the IESO's board at the expiry of their terms on December 31 last year.

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Update from the Board meeting and strategy session

CEO recruitment update

Closing

- Well that's it for my updates. I'll open the floor to any questions that you may have for me...