

LTEP 2017: Board Presentation Narrative and Background

Narrative for presentation:

- Following the publication of the IESO's Ontario Planning Outlook (OPO) the Ministry of Energy started development of the next Long Term Energy Plan.
- The final LTEP document, along with the IESO and OEB implementation directives, was expected by late-April, but it may slide; implementation plans are expected to be submitted to the Minister in August 2017.
 - Ministry has been focussed on rate mitigation measures, which has left the LTEP on hold.
- For the IESO, it's been a bit of a "hurry up and wait" exercise
 - The Ministry of Energy signaled it would begin LTEP discussions in December, but they began in late January
 - The IESO has been invited to provide input at these discussions and will support the Ministry in the development process
 - *They've really been on hold since then – re: rate mitigation*
- The current 12 themes (on slide 8) are informed by stakeholder and community input, but seem to take heavily from the OPO, and previous IESO briefings on similar topics.
 - This speaks to the value of the OPO and work of Mike's team, and the influence the IESO has had on Ministry thinking – *speaks well to our goal of being a trusted advisor.*
- To support the process, the IESO has formed an internal LTEP working group to coordinate and inform advice to the Ministry.
 - While the requests and input may be stalled now, we can expect that to increase shortly.
 - IESO also developed an "LTEP perspectives" document to help inform IESO feedback. ELT members were interviewed for their views on key policy topics and IESO viewpoints and key messages were developed.
 - An implementation plan is already being considered by the IESO and will involve the support of the broader organization.

- So, what can IESO broadly expect from LTEP 2017?
 - The Long-Term Energy Plan (LTEP) will serve as a policy and political document and may result in new roles, responsibilities or targets for the IESO.
 - Recent signals from the Minister (Feb. 24) suggest a more market-driven and technology agnostic approach to sector, so we might see fewer targets for specific fuel types, and more in the way of broad policy objectives - Drive to a more efficient and sustainable marketplace
 - We know the Ministry has keen interest around certain transmission upgrades for policy reasons (Mike, Joe, Andrew can speak to this if necessary), which also leads to a potentially expanded role for the IESO in the transmission procurement process going forward.
- Some outstanding questions re: LTEP 2017
 - The IESO has been asked to update the outlooks used in the OPO to reflect subsequent decisions and changes in government policy – but we're still awaiting feedback from the government on what policy to include (*could simply be waiting on rate mitigation announcement*)
 - How will government marry the OPO outlooks with CCAP targets – *could still be a gap even on the high end of IESO Case D – (high demand case).*
 - IESO has never been through the development of an Implementation Plan, may require significant coordination across the IESO and with the OEB. There also remain outstanding questions around how IESO should engage stakeholders.

Schedule for upcoming briefings:

- **March 7 - 10:30 am - 12 pm:** DM/CoS, *Supply and Demand and Bending the Cost Curve*
- **March 16 – 11:15 am – 12 pm:** DM/CoS
- **March 22 – 6-7 pm:** Minister's briefing, *all remaining LTEP themes not covered in previous Minister's briefing*
- **March 24 – 11:30 am – 1 pm:** DM/CoS
- **March 28 – 12-1:30 pm:** DM/CoS
- **March 28 – 4-5 pm:** Minister's briefing
- **March 28 – 5:30-6:30 pm:** Minister's briefing
- **April 4 – 12-1:30 pm:** DM/CoS
- **April 11 - 12-1:30 pm:** DM/CoS

Potential Implementation Plan items for IESO:

1. Regional Planning/Regional Issues:

- The Ministry will direct the OEB and IESO to propose solutions to address the barriers to implementation of economic non-wires options, such as conservation, demand response and distributed generation, including cost allocation through the implementation directives, with timelines for completion.
 - Recommendations from the IESO and OEB would be used to revise the regional planning process and could be expanded to include similar guidance for the natural gas sector.
- The Ministry will direct the IESO to develop a transmission procurement process in its LTEP Implementation Plan and recommend a project(s) to pilot the new process.
 - The Directive could be general in nature, and allow IESO to develop the procurement/selection process to meet timelines specified in the directive.
 - The IESO should have flexibility to develop a tiered procurement process, if appropriate, that is scaled to complexity of project. For instance, a streamlined process for small scale procurements and a full process for complex procurements

2. Enhance Commitment to Conservation:

- *Exploratory:* establish more aggressive long-term electricity conservation target that considers the government's plans for electrification and higher electricity demand.
- The LTEP could signal a policy decision on the eligibility of Combined Heat and Power (CHP) and Waste Energy Recovery (WER) projects for incentives under the CFF and IAP, or post-2020.
 - Option 1: Direct IESO to cease accepting applications for BMG projects using supplied fossil fuels by January 1, 2018.
 - Option 2: Signal a change in the eligibility of BMG projects for end of 2020

- Based on study results, direct the OEB or IESO to report back with an In-Front of the Meter Conservation implementation plan including achievable (cost-effective) potential, recommended funding source and any regional considerations for implementation.
- Direct the IESO and OEB to identify common elements that will encourage LDCs and the gas companies to collaborate further during the upcoming Mid-Term Reviews.
- *Exploratory*: Direct the IESO and/or OEB to support / undertake Green Button implementation activities.
- Highlight the minister's December 2016 Direction to the IESO which requires the IESO to make available a core set of province-wide CDM programs.
- ENERGY to work with IESO to develop stand-alone province-wide smart thermostat program.
- The Ministry will direct the IESO and OEB report back with a formal review of the regional planning process, including consultation with municipalities, local distribution companies and other key stakeholders.
 - Depending on the outcome of a formal review of the regional planning process, the Ministry could direct the OEB to work with the IESO, in consultation with Distributors, to develop guidelines and cost-benefit evaluation tools to support incremental conservation and demand management opportunities in regional electricity planning, and report back on the need for similar guidance for the natural gas sector.

3. Maximize Use of Existing Assets and Networks:

- The Ministry will include a list of policy principles in LTEP 2017 and ask the IESO and/or OEB to provide options for strengthening customer reliability at both the transmitter and distributor level. Proposed principles could include the following:
 - Standards will provide insight into local performance, in addition to system-wide averages
 - Standards will account for the type of data utilities collect today and the costs and administrative burden associated with additional data collection
 - Standards will establish clear timelines and mechanisms for resolution when customers report reliability and quality of service issues, including with respect to power quality.
 - Transmitters and distributors will be accountable for performance against standards through clear incentives for improvement and penalties for non-compliance.
 - Communicate performance against standards transparently, in a timely manner and in a manner consistent with customer needs.
- ENERGY to work with the IESO and regulatory Ministries in order to:

- Identify opportunities for electricity generation from upgrades/optimization of existing renewable generation facilities
- Understand the potential value for ratepayers
- Identify potential mechanisms to support this generation, where there is value for ratepayers
- Explore any regulatory requirements that may be necessary to approve these projects
- The Ministry will direct the IESO to prepare a near, medium and long-term plan for transmission asset management to ensure a coordinated, integrated approach is taken to asset replacement, sustainment and expansion.

4. Ensure Market-based Outcomes:

- Ministry staff recommend making the necessary changes to implement capacity auctions once IESO's Market Renewal stakeholder initiative has completed, and as long as the projected net benefits remain positive.
- Ministry staff recommend taking the necessary steps to implement a "day-ahead" energy market, once IESO's Market Renewal stakeholder initiative has completed, and as long as the projected net benefits remain positive.
- Ministry staff recommend taking the necessary steps to move to a "single-schedule" system, once IESO's Market Renewal stakeholder initiative has completed, and as long as the projected net benefits remain positive.
- Ministry staff recommend directing IESO in the 2017 LTEP to begin the process of enhancing the flexibility of Ontario's supply resources through "technology-neutral" processes that:
 - Increases utilization of existing resources;
 - Enables simple cycle operation at combined cycle plants; or
 - Adds new resources such as peaking generation, grid energy storage or demand response where cost competitive.

5. Supporting Indigenous Capacity and Leadership:

- Continue with and build on success of Indigenous energy capacity support programs currently delivered by the IESO within the existing support funding envelope of \$10 million annually and with no new impacts to rate base. Potential to reduce funding envelope by focusing support funding entirely on Indigenous communities.
- Continue support for and drive implementation of *Aboriginal Community Energy Plans (ACEPs)*.
 - Continue funding for new or updated ACEPs

- Evolve existing programming to provide funding towards implementation of completed ACEPs to ensure existing investment in community energy planning is realized into actual community initiatives and projects.
- Ensure new and updated ACEPs include climate change considerations (resiliency, adaptation and mitigation planning)
- Continue providing funding support for *Indigenous Education and Capacity Building* (ECB) initiatives that meet evolving community needs such as business and sector skills training, energy literacy, and youth.
- Continue supporting *Indigenous leadership and partnerships in renewable energy and transmission* projects through funding streams that support partnership due diligence and project development costs, as appropriate (e.g. continued funding for LRP and FIT projects until appropriate phase out time; transmission project funding continues based on identified priorities and needs).

6. Energy Accessibility

- Ensure there are no market or regulatory barriers for storage technology to participate in Ontario's market. Direct OEB and IESO to continue to work with storage companies to ensure no unfair barrier exists.