Speaking Points:

Intro:

- One of the goals in the IESO Strategic Plan is to be recognized as a trusted advisor, informed by engagement – we will work effectively with government to support policy development and IESO's excellence in implementation
- For us to do that, it's helpful to understand the energy political environment and what that might mean for the IESO in the months and years ahead.

Narrative:

- The IESO's business will be impacted by the outcome of the June 2018 election and the political decisions made throughout the campaign leading up to that date – but it's a bit too early to predict the outcome.

- The government as now announced its rate mitigation plan. Public/media response to this announcement and subsequent opposition posturing may frame political electricity discussions leading up to the election.

    - IESO will have a role in helping to facilitate the refinancing of the GA – mostly from a settlements perspective

    - Market Renewal still remains one of the government's long term measures to help keep future cost increases down.

- Increased attention on electricity issues will result in ongoing scrutiny of the IESO's business, both from opposition and from the government.

    - This could mean that the government may increase involvement and awareness of IESO business to maintain message control and manage potential issues.

- This may include the politicization of Market Renewal – this will require ongoing reinforcement of the value of markets through its communications, and effective stakeholder engagement.

- The Long-Term Energy Plan (LTEP) development is underway and the final product 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.

- The LTEP implementation plan may provide an opportunity for the IESO to determine the role it envisions for itself with respect to implementing government policy in the coming years.

- The NDP has made clear its energy policy with its general preference of public-owned power over private owned power, the return to public ownership of Hydro One, elimination of TOU, among others.
- The PCs have said they would aim to repeal the Green Energy Act, explore cancelling current power contracts, and replace cap and trade.

How do we build trust?

- Understanding of gov't objectives
- Consistency in our corporate views and positions

1. The way to move a file forward is to position it so that everybody gets something – it's very hard to somehow convince government to go in a completely different direction.
    a. It's easier to understand their imperatives and find a way to link those to IESO's own objectives and advice.
2. Be a problem solver – not a problem creator.
    a. Don't go into a briefing simply to identify that a problem exists – we need to bring in solutions to those problems as well. Otherwise, gov't will find their own, and IESO may not like them
3. Build up capital for the bad times – don't waste it on small inconveniences.
    a. At some point, we're going to bring in bad news. Want to make sure we've not recently wasted political capital on a little issue that didn't matter.

Context:

- We all know that electricity prices are generating headlines and the focus of debate in the legislature – we see several questions a day in QP focussed on electricity prices.
    - both the Conservatives and the NDP have developed websites to gather personal stories of the challenges facing households, and business.
    - even the seemingly small stories are being taken out of context – including with respect to the IESO – don't foresee this ending soon.
- At a political level, polls show the liberals losing seats in the 905, some in Scarborough, and there have been recent difficult by-elections, notably the liberals lost a "safe seat" in Scarborough-Rouge River.
    - Polls are showing a tough time ahead for the liberals – but don't count them out yet.
    - McGuinty lost 5 or 6 straight by elections in his first term
    - Bill Davis lost several by elections, a caucus revolt, and went on to be Ontario's longest serving Premier
    - Still very tough place with a year and a half out from an election
- On top of that backdrop, the government has launched consultations for the 2017 LTEP, and today's announcement around rate mitigation attempts to blunt concerns around high electricity costs – focussed around both rural and urban residential consumers.

What this means for the IESO:

- Governance structure has allowed for and will continue to allow for directives, and don't be shocked if we continue to receive them leading up to, and following the LTEP.
- Government will increasingly want to review our materials, and this may slow down our processes
- Be considerate of the lenses that will be applied to our initiatives, areas of focus of the government, when we advise and implement our initiatives
- We still have an opportunity to advance IESO initiatives. We just need to be aware of the political environment we're operating within.
  - We have cost efficiency measures, like market renewal
  - We have retail initiatives through our conservation programs and CFF oversight in the mid-term review
  - And we've set an excellent foundation for the next LTEP through the OPO

Government Affairs Approach:

- IESO needs to be prepared for an increase in requests around LTEP 2017, and beyond.
  - Fast turnaround is important, but accuracy and coordination across the company is more important.
  - To be effective advisors we need to anticipate what the issues might be, coordinate across the organization to ensure we speak with one voice, and be ready to react.
- The primary objective of government affairs is developing and fostering an effective relationship between the IESO and government to enable the IESO to implement its legislative mandate and business plan, and improve the broader policy environment.

Government Announcement:

1. Refinance GA (plus existing HST rebate)
2. Market Renewal
3. Expand RRRP – but fund through tax base
4. Expand OESP- but fund through tax base
5. Establish and $200M Affordability Fund – assist customers who cannot qualify for low-income conservation programs and provide LDCs with an additional tool to help customers in need (Hydro One and LDCs), funded through tax base
6. Providing FN On-reserve Delivery credit – eliminating the delivery charge

Essentially taking about 3.5B from tax base and using it to fund rate base programs with a social services bent.