

Government Affairs Update

Presentation to Corporate Services

April 7, 2017



Purpose

- Provide an overview of the Government Affairs group, the policy landscape and what it means for the sector and the IESO



Government Affairs at the IESO

- From the IESO's Strategic Plan
 - Goal: Be recognized as a trusted advisor, informed by engagement
 - Objective: Work effectively with government to support policy development and IESO's excellence in implementation
- Government Affairs meets about 20-30 times per month with government to inform, influence, and garner support for IESO initiatives
- Building and maintaining relationships is key
- Internal coordination required to understand organizational perspective on any given topic
- The political environment and what it might mean for the IESO in the months and years ahead is important context

What's New?

IESO's Government Affairs Team:

- Effort to increase coordination between Government Affairs and Communications groups
- New supervisor of Government Affairs, David Barrett

Government:

- Ontario Fair Hydro Plan announced on March 2
- First Cap and Trade auction results on April 4
- Long-Term Energy Plan under development
- Government and opposition parties in campaign mode with an eye on the June 2018 election

Ontario Fair Hydro Plan

- Electricity rates continue to be the predominant issue, and two of three parties have released their hydro platforms
- Ontario Fair Hydro Plan (Liberal)
 - Global Adjustment refinancing
 - Enhanced social programs
 - Ontario Electricity Support Program eligibility and funding expanded
 - Rural and Remote Rate Protection funding increased
 - Affordability Fund will help customers who do not qualify for existing, low income electricity programs; will pay for energy-efficiency improvements
 - First Nations On-Reserve Delivery Credit
 - Industrial Conservation Initiative eligibility expanded
 - Bills to be reduced ~25% on average (GA refinancing + 8% HST rebate)

Opposition Platforms

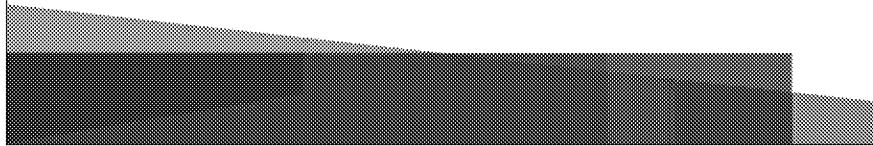
- Pay Less. Own More. (NDP)
 - Buy back Hydro One
 - Eliminate mandatory TOU
 - Delivery charges to be more equal geographically
 - Full HST rebate
 - Expert panels and more public power
- ? (PC)
 - Plan will not be released anytime soon, but before election
 - Have said they would aim to repeal the Green Energy Act, explore cancelling current power contracts, and replace cap and trade.
- IESO engages with opposition parties to provide its perspective and build relationships

Politics and the IESO

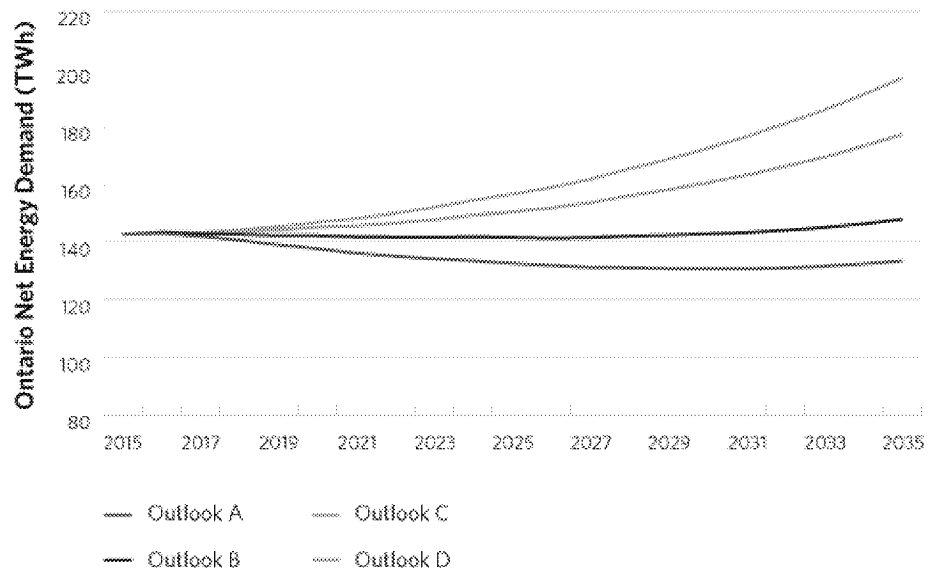
- The IESO is apolitical but must be aware of how politics impacts the IESO
- Compensation
 - Public Sector Salary Disclosure
 - Executive Compensation Framework
- Market Renewal
 - Included in Ontario Fair Hydro Plan
- Ongoing discussions with Hydro Quebec
 - How does a new agreement align with other IESO priorities?
- Ontario Fair Hydro Plan
 - IESO role in GA refinancing

Climate Change Policy

- All three political parties now support climate change mitigation
- First cap and trade auction was considered a success, bringing in around \$470M and selling 100% of current permits
- Cap and trade funds to be invested in energy-efficiency programs
- The IESO will be supporting the Ministry of Environment and Climate Change to align customer offerings within the upcoming “Green Bank” platform
- Focus on reducing greenhouse gas emissions expected to lead to increasing electrification within Ontario

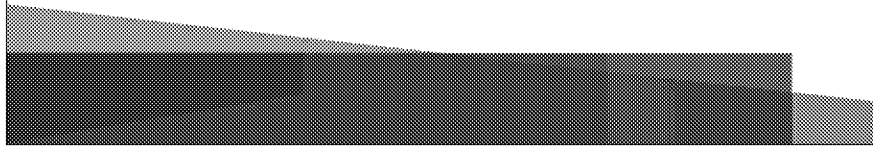


Ontario Planning Outlook Forecasts



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
- Internal LTEP working group established to coordinate IESO perspective on a wide range of topics
- Early indications show IESO advice and perspectives will be strongly represented within the LTEP
- IESO will need to develop an implementation plan afterward, requiring significant coordination internally and with OEB



What to Expect from LTEP

- A more market-driven and technology neutral approach
- A focus on the customer
- Expanding conservation efforts
- Enhancing regional planning

2018 Election

- 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.
- 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.
 - IESO to 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.