Message

From: Robert Doyle [/O=EXCHANGELABS/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=4C746E01932F46B4B8D7DF97A9C4F3D1-ROBERT DOYL]
Sent: 2018-01-17 9:27:35 AM
To: Terry Young [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=872fa3f6e61a48709b11458c0c3b6ca6-Terry Young]
CC: Chuck Farmer [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=aa83ad66edf341b4a48c3f852b674355-Chuck Farme]; Carrie Aloussis [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=e34a6017e31243cea020cf50f759daaf-Carrie Alou]; Darryl Yahoda [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=4e76e2e4e40a47a397cdbf912d5242f4-Darryl Yaho]; Nik Schruder [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=fdeb9248bb1744b2aeefb2febc782a99-Nik Schrude]; Trevor Esdaile [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=d492f4bb109a4e2d9f012f1192b9fa49-Trevor Esda]
Subject: RE: IESO/OPG/Dofasco meeting
Attachments: AMD-OPG Pilot Briefing Note Jan. 17 2018.docx

Terry, here is a briefing note that incorporates Darryl's comments below as well as other considerations. I agree with Darryl that the crux of the issue is the overall policy approach to industrial pricing. This also speaks to the number of perspectives in the organization on the effectiveness of the ICI, such as the relation to conservation framework goals, planning, real-time price/operations impacts or overall efficiency of the ICI – in addition to the customer's perspectives.

Happy to discuss further – Rob

From: Darryl Yahoda <Darryl.Yahoda@ieso.ca>
Date: January 17, 2018 at 12:05:40 AM EST
To: Terry Young <terry.young@ieso.ca>
Cc: Chuck Farmer <Chuck.Farmer@ieso.ca>, Nik Schruder <Nik.Schruder@ieso.ca>, Trevor Esdaile <Trevor.Esdaile@ieso.ca>
Subject: RE: IESO/OPG/Dofasco meeting

Chuck mentioned that a meeting on this may be happening sooner. Here's some quick feedback...

- They (like many, many other loads in Ontario) would like predictable and reasonable (aka low) electricity prices.
- Current mitigating tool, the ICI program, has issues
    - GAM allocation through the ICI doesn't make sense in today's environment - curtailing load and economic productivity on peak hours when we have a surplus of peak capacity
    - Increased participation in ICI + other factors (weather volatility, changing supply mix) can make predicting ICI hours challenging introducing increasing risk to ICI participants
    - Risk can be mitigated by installing new BTM assets (generation or storage) but carries investment risk if ICI program is discontinued/GAM is allocated on a different basis in the future. This approach, as they point out, seems like a perverse outcome when the system has underutilized assets

- Proposal is essentially a means to deliver an industrial rate through convoluted means to avoid calling it an industrial rate
- Hard to precisely decipher the proposal from the presentation but this is my interpretation
    - Option A – Dofasco wouldn't pay GAM on energy consumption. Would pay a "capacity substitution" payment based on what resource(s) is on the margin during the top 5 hours that effectively would be on-line to service Dofasco's load. Payment would be based on negotiated rates. Note: This would only be for 5 hours worth of capacity on the premise that substitute generation will come from existing assets that will be paid regardless of whether Dofasco consumes during the top 5 hours or not, so getting Dofasco to contribute towards the cost of these assets during these 5 hours is a benefit to the system/ratepayers. They mention virtual net metering but I'm not convinced this complexity would strictly be needed. In the event that there are no existing assets available to service Dofasco, there would be a demand response option to get them to curtail.
    - Option A* - Physical bilateral where Dofasco would be buying capacity/energy from a specified facility/unit. It doesn't make sense to me from the slide details and doesn't seem they were all that interested or committed to this option.
    - Option B – Sounds like an IEI concept of providing GAM-free electricity for incremental load over some defined period of time.

Bottom line – This is a legitimate issue and much bigger than just Dofasco. I would anticipate more Class A consumers looking for better options to mitigate their electricity costs as ICI becomes a less effective mitigating tool. Ultimate solution is rooted in a better way to allocate GAM across all customer classes to provide the correct signals/incentives. This could include a proportionally lower allocation to industrial loads if part of industrial policy. I don't see this "pilot" opportunity as working towards a better solution, just a different method to mask the root issue, and primarily benefits Dofasco.

Might be useful to get Planning (George Pessione) take as well as they have done analysis on such options in the past.

Darryl

From: Terry Young
Sent: January 15, 2018 4:45 PM
To: Darryl Yahoda
Cc: Chuck Farmer; Nik Schruder; Trevor Esdaile
Subject: FW: IESO/OPG/Dofasco meeting

This is the proposal from OPG/AMD that I referenced this morning. Darryl, could you please have a look at the two options they include and provide some feedback to me by end of day, Monday, January 22 to prepare for a meeting that Peter and I have with the Presidents and others of both OPG and AMD on Thursday, January 25. Chuck, from a government reaction point of view and

Trevor, from a conservation perspective will be able to provide support. Happy to discuss initial thinking of yours later in the week.

Thanks.

Terry