# IESO Election Preparation and Policy Planning Session

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# Context

- The election is two months away, none of the three main parties have outlined their policy platforms
- We have reviewed publicly available information based on past policy positions and recent statements in the media to develop initial considerations and impacts on the IESO
- This afternoon's session will:
  1. outline how the IESO is preparing for a potential transition;
  2. review and discuss potential policy directions, the risks that come with them; and,
  3. review some potential opportunities
- At the board meeting in June we will outline our approach to engaging and informing a new government

# Day-to-Day Activities Through Writ Period

- IESO will wind down the majority of external communications and engagement activities through the end of April and limit communications and activities during the writ period
- Expect government support activities to shift towards assisting the public service to prepare briefing materials prepared to ensure a smooth transition of government.
- Day-to-day activities are expected to continue

# Pre-Election Outreach Activities

- A change in government requires that IESO identify and pursue opportunities to establish new, strengthened, relationships
- This requires outreach that includes:
  - Across public service, (i.e. MOECC, MIRR, MTO, MEDG, and MNDM)
  - Stakeholder (who will be talking with potential policy makers)
  - Policy makers
- Goals of outreach:
  1. Build trust
  2. Gain insight
  3. Position IESO as trusted advisor

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Example 1: Pre-FHP the IESO was asked to present ideas to Premier around reducing costs, but it was mostly managed through MO. Premier was not overwhelmed, but IESO didn't have strong relationship with PO.

Example 2: IESO has had a number of negative impacts on its reputation of late:
AG reports on FHP and IESO accounting standards and Market Oversight
AG audit that criticized the "tone at the top", overall cooperativeness, and identified IESO as rogue agency

Trust is critical when engaging with any government, but it is essential when establishing new relationships. This has to be earned and we have to start building it now.

That's why we've been expanding out meetings and relationships with Premier's office staff, opposition, and third party members, and members of their staff.

IESO also knows that it's important to begin seeding ideas and discussing transition materials with Ministry officials so that we're more closely aligned on key issues.

IESO plans to do direct outreach to senior public service staff at the Deputy Minister's Office and among key Branches and Departments. Outreach will be a combination of Government Affairs staff, IESO Directors or Senior Managers, and Executive Leadership, as appropriate. The objective will be to optimize IESO readiness for a change in government and change in priorities.

Reputation and trust is also built on what policy makers hear from key stakeholders.

Senior IESO staff or Executive Leadership, as appropriate, outreach to key stakeholder groups to (1) advise on and ensure understanding of relevant IESO priorities and (2) to gather intelligence on the policy priorities of these groups to help inform IESO approach to a potential change in government.

# Preparation transition materials

- Prepare for frequent in-depth foundational briefings on key priorities.
- Identify and pursue opportunities to develop Executive-level relationships with new senior Minister's Office staff that may have mixed familiarity with the IESO
- Quickly establish relationships at the Deputy Minister's office to ensure smooth transition of government and to rapidly build familiarity with IESO
- Monitor developments such as Mandate Letters to quickly identify priorities

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We have to be prepared to discuss topics and issues at a moments notice.

We don't always know when or how meetings and briefings will take place. It could be over coffee, it could be an email request for information, or it could be via formal briefing. We need materials at our finger tips that are ready to be shared.

We can't assume existing Ministry staff will have the history or knowledge on each file. The DM could easily change along with a new Minister.

We also need to assume that others (like OPG) will be developing their own materials, and pushing ideas or changes in the electricity sector that may be counter to our own.

# Policy Considerations

- IESO will need to consider and understand the policy implications of a new government
- Outlined on the next slides are the potential policy risks associated with some broad policy categories:
  - Markets, procurement, contract management
  - Pricing – general, industrial, and non-industrial
  - Planning
  - Conservation
  - Nuclear
  - Carbon pricing

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While we don't know the exact policies to expect from each party, as no platforms have been officially released, we can surmise that they could reasonably fall within themes from past policy documents, or recent policy pronouncements via media.

Each board member has been provided in advance a policy briefing note outlining the potential energy policy positions of each party.

Today we'll review some of the risks to the IESO priorities associated with some of the potential policies from each party.

# Noteworthy Risks to Existing IESO Priorities

- Certain policy proposals could have a more significant risk to ongoing IESO activities or priorities:
  - Potential transition away from market mechanisms and/or a reduced scope or cancelation of the Market Renewal project
  - Ad hoc or out-of-market agreements for new supply or special energy rates
  - New system needs resulting from change in nuclear refurbishments or retirements
  - Ongoing reputational impacts resulting from the Fair Hydro Plan
  - Uncertain future for the Conservation First Framework (CFF), or post-CFF framework
  - Change to IESO mandate

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# Policy: Markets, Procurement, Contracts

| Item | Liberal Party | Progressive Conservative Party | New Democratic Party |
|---|---|---|---|
| **Markets, Procurement and Contract Management** | • Supports shift away from out-of-market capacity acquisition and supports Market Renewal | • (2017) Support shift away from out-of-market capacity acquisition and supports Market Renewal.<br>• (2017) Enforce Green Energy Act contracts and use breaches as leverage to renegotiate or exit contracts where feasible.<br>• (2017) Moratorium on new contracts. | • Import affordable renewable electricity when needed.<br>• Question the effectiveness of capacity auctions.<br>• Not renewing and renegotiating or cancelling "bad" GEA contracts.<br>• Capping private profit margins. |

**Potential Risks:**

- Cancelation of Market Renewal or capacity auctions
- One-off projects that reduce stakeholder confidence in Market Renewal
- Proposals to renegotiate or exit contracts could erode stakeholder support for other initiatives, like Market Renewal
- Additional one -off procurements with Quebec
- Move to a single trading entity outside of market (i.e. OPG)

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# Policy: Electricity Pricing

| Item | Liberal Party | Progressive Conservative Party | New Democratic Party |
|---|---|---|---|
| **Electricity Pricing** | • Fair Hydro Plan – 25% reduction (residential, small business, and farmer) | • (2017) Fair Hydro Plan + Lower the average hydro bill by an additional 12% (residential, small business, and farmer).<br>• (2017) Conservation funding and the Smart Meter Charge (SMC) shifted to the tax base.<br>• (2017) "explore all options", including: a single stable industrial rate, support for combined heat and power | • Lower electricity rates by 30% (from pre-Fair Hydro Plan rates) but oppose FHP.<br>• End Mandatory Time of Use.<br>• Real oversight to electricity prices.<br>• Using tax benefits to help ratepayers. |

**Potential Risks:**

- An industrial rate that could lead to misalignment with system need or market renewal, or ad hoc industrial rate for individual companies *(i.e. Cliffs in 2014, Hydrail 2018, or changes to ICI in the future)*
- Elimination of TOU could strand value of Smart Meter Entity and minimize certain rate structures being studied through RPP pilots
- Additional requests to find ways to eliminate further costs, or shift costs to different ratepayer groups
- Ongoing reputational risk re: FHP

# Policy: Interjurisdictional Trade and SBG

| Item | Liberal Party | Progressive Conservative Party | New Democratic Party |
|---|---|---|---|
| **Imports, Exports, and SBG** | • Status quo, but increased pressure on managing SBG | • Explore fuel switching programs that allow for Ontario companies to purchase power at an affordable rate instead of sending it to competing jurisdictions at a loss.<br>• (2017) Ask the IESO to study and report on potential options - rooted in evidence - to reduce the amount of hydroelectric power the province wastes annually. | • Import affordable renewable electricity when needed.<br>• "Fix" Oversupply |

**Potential Risks:**

- Potential for further bilateral *(non-competitive)* deal with Quebec
- Introduction of centralized or single trading entity outside of market (i.e. OPG)
- Short term ad hoc policy to encourage consumption of SBG in Ontario that doesn't align with system needs
- Risk to implementing parts of Market Renewal

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# Policy: Electricity Planning & Sector Reform

| Item | Liberal Party | Progressive Conservative Party | New Democratic Party |
|---|---|---|---|
| **Electricity Planning and Sector Restructuring** | • LTEP on 3-year cycle<br>• Support for local decision making through Regional Planning Process | • (2017) Enhance energy planning to make it expert led and transparent and restore local planning authority for renewable energy projects.<br>• (2017) Future LTEPs must be brought before a legislative committee to be studied in depth. | • Not clear, but expected to focus an independent panel on sector restructuring |

**Potential Risks:**

- Unclear how bringing future LTEPs to legislative committee for review would impact timing, transparency and evidence-based outcomes
- Future LTEP decisions and directives could introduce negative impact on market renewal
- Proposed independent panel *(with energy experts and planners, businesses, labour, consumer and environmental advocates, etc.)* could be focussed on increasing public ownership of electricity infrastructure, and moving away from market mechanisms, centralized planning and procurements

# Policy: Conservation

| Item | Liberal Party | Progressive Conservative Party | New Democratic Party |
|---|---|---|---|
| **Conservation** | • Committed to CFF through 2017 LTEP | • (2017) Supports Conservation First Framework, but propose moving costs to tax base | • Generally supportive of increased conservation. |

**Potential Risks:**

- Post-2020: establish targets for MWh and MW reductions to address provincial and regional needs and achievable potential
- Potential for growing disconnect between Save On Energy and GreenOn programs
- Unclear future of CDM programs post-2020 if funding transferred to rate base

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# Policy: Nuclear

| Item | Liberal Party | Progressive Conservative Party | New Democratic Party |
|---|---|---|---|
| **Nuclear** | • Committed to refurbishment schedule in LTEP | • (2017) Committed to refurbishment schedule as in 2017 LTEP. | • Not in favour of the current nuclear refurbishment plans. |

**Potential Risks:**

- Possible acceleration of Pickering retirement would accelerate supply needs
- Potential interest in utilizing Quebec as an alternative via bi-lateral agreement

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# Policy: Carbon Pricing

| Item | Liberal Party | Progressive Conservative Party | New Democratic Party |
|---|---|---|---|
| **Carbon Pricing** | • Implemented Cap and Trade in 2017 | • Oppose all forms of carbon pricing.<br>• (2017) Cancel the CCAP, end cap-and-trade, and withdraw from WCI. | • Favour a form of carbon pricing and have been critical of Cap and Trade. |

**Potential Risks:**

- Reduced focus on non-emitting resources in Market Renewal
- Uncertain IESO role as Green Ontario Fund delivery agent if programs are abruptly canceled
- Potential for unforeseen changes  that could require adapting market tools or contracts

# But there are opportunities...

- As with any change, there are opportunities that will arise and the IESO will need to be prepared to leverage them
- Some of those include:
  - Review focus, delivery model, and scale of conservation initiatives
  - Potential for continued support for all/some aspects of Market Renewal
  - Opportunity for further considerations on pricing (TOU & ICI)
  - Continued focus on innovation
  - IESO mandate

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# Next Steps

- Review and asses risks and opportunities arising from policy documents as they are released
- Continue outreach to key groups and individuals
- Prepare materials for post-election transition
- Return to Board in June when there is clarity around government policy and provide and overview of potential opportunities for IESO to consider,  along with engagement approach

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