IESO Stakeholder Advisory Committee Meeting Notes – April 24, 2019

Advisory Committee Members:
Mr. Brian Bentz (representing Distributors and Transmitters)
Mr. Nicolas Bossé (representing Energy Related Businesses and Services)
Mr. David Butters (representing Generators)
Ms. Judy Dezell (representing Ontario Communities)
Ms. Brandy Giannetta (representing Generators)
Ms. Malini Giridhar (representing Energy Related Businesses and Services)
Ms. Julie Girvan (representing Consumers)
Mr. Jim Hogan (representing Distributors and Transmitters)
Ms. Rachel Ingram (representing Energy Related Businesses and Services)
Mr. Bruno Jesus (representing Transmitters and Distributors)
Mr. Frank Kallonen (representing Distributors and Transmitters)
Mr. Paul Norris (representing Generators)
Mr. Mark Passi (representing Consumers)
Mr. Mark Schembri (representing Consumers)
Mr. James Scongack, Vice Chair (representing Generators)
Mr. Hari Suthan (representing Energy Related Businesses and Services)
Mr. Terry Young (representing IESO)
Regrets:
Mr. Pat Chilton (representing Ontario Communities)

IESO Board Members:
Mr. Simon Chapelle
Ms. Cynthia Chaplin
Mr. Peter Gregg
Ms. Margaret Kelch
Mr. Joe Oliver
Ms. Deborah Whale

Presentations:
Mr. Terry Young
Mr. David Short
Mr. Leonard Kula
Ms. Barbara Ellard

April 29, 2019
Please report any comments by email to engagement@ieso.ca

Ms. Jessica Savage
Ms. Alexandra Campbell
Mr. Emanuel Movchovitch

Meeting materials can be accessed online at www.ieso.ca/sac

Agenda Item 1. Welcome Remarks
Mr. Peter Gregg welcomed returning IESO board members and announced two members: Mr. Joe Oliver is former federal Minister of Finance, former federal Minister of Natural Resources, past president of the Investment Dealers Association, and past executive director of the Ontario Securities Commission.
Mr. Simon Chapelle is an elected member of Kingston City Council, former board member of Kingston Hydro, and former board member of the Parole Board of Canada.

Mr. Bentz welcomed three new SAC members:
Mr. Bruno Jesus, director of strategy and integrated planning, Hydro One Networks Inc., Ms. Malini Giridhar, vice president, business development and regulatory affairs, Enbridge Gas Inc.; and,
Mr. Pat Chilton, CEO, Five Nations Energy Inc.
Mr. Ted Leonard has resigned from the SAC. A call for nominations was published in March to fill the vacancy.

Mr. Terry Young introduced members of the IESO executive team in attendance: Leonard Kula, Robin Riddell, Alex Foord, Glenn McDonald, and Julia McNally.

Agenda Item 2. IESO Business Update Items – Memoranda and Discussion
Mr. Terry Young
Mr. Young provided the following business updates:

The annual Electricity Summit will take place on June 17, bringing sector leaders together from across North America. The theme of this year's Summit is Electricity Marketplace of the Future.

A series of four Regional Electricity Forums concluded in April. A report will be produced to summarize the input from the meetings held in Kitchener, Kingston, Timmins, and Thunder Bay.

Engagement is under way to seek input into the development of Integrated Regional Resource Plans (IRRPs) across Ontario.

The new Market Development Advisory Group (MDAG) is comprised of 20 people from across the sector that will advise on evolving the electricity market beyond the current Market Renewal Program (MRP). All are invited to attend these meetings.

The first round of Community Energy Champion contracts have been executed. A total of 28 Indigenous communities will receive support to increase their energy literacy.

In response to questions asked at the last SAC as to how certain components of the Innovation Roadmap work plan would be funded, a memo from Katherine Sparkes on the Grid Innovation Fund has been posted on the SAC website.

Comments

Mr. Mark Passi noted that with respect to the Grid Innovation Fund, Ms. Sparkes's memo states that recipients are required to contribute at least 25-50% of the project costs. However, it is possible for participants to receive 100% funding. When planning distributed energy resources (DERs), he noted that it is necessary to identify stranded assets and grid defections and to share this information with the SAC and general public.

Ms. Judy Dezell echoed Mr. Passi's comment about identifying stranded assets, and asked how the IESO intends to share information about innovative work being done.
Mr. Young replied that as pilot projects are completed, results would be shared.

Mr. Frank Kallonen asked if there is any interest in building standards. Mr. Young replied that such next steps would be addressed in time. The Grid Innovation Fund has an annual budget of up to $9.5 million.

Mr. Paul Norris said it could be a challenge to get results from third parties who own the assets after they receive their funding.

Ms. Brandy Giannetta said the MDAG should align with the SAC in terms of who is advising whom and to be current on overlapping issues. Mr. Young agreed that information from separate streams must feed back to the SAC. The IESO is considering holding a bimonthly meeting to discuss market renewal, and SAC members would be invited to attend.

Comments from the Floor:

Mr. Colin Anderson, president, Association of Major Power Consumers in Ontario (AMPCO), said he appreciates the information that has been provided with respect to the Innovation Roadmap. With respect to the Grid Innovation Fund's annual budget of $9.5 million, funded through global adjustment, he said he is concerned that this amount could easily swell if the role of the IESO expands to being a venture capitalist. As well, the global adjustment needs downward pressure. Mr. Young said the $9.5 million is a modest amount being invested to ensure reliability and lower costs.

Mr. Andrew Teliszewsky from OPUS One Solutions said OPUS One is not looking for a handout or for venture capital. It wants to attempt pilot projects that will drive down costs and it wants full disclosure of its projects so others can copy and buy its products.

Mr. Anderson said he questions whether the IESO is playing an appropriate role in innovation.

Comments

Mr. Passi said he has not yet seen a business case for innovation.

Mr. Mark Schembri said Loblaws did not seek funding from the Grid Innovation Fund, but supports the IESO's effort to engage the demand side of the sector.

Agenda Item 3. Transition of Conservation Framework
Mr. Terry Young

Mr. Young said the IESO received two Ministerial directives on March 21, 2019 that included changes to reduce the cost of energy-efficient program delivery. As a result, the Conservation First Framework has been discontinued and a new interim framework took effect in April and will run until the end of 2020. Ontario businesses, low-income residents, and Indigenous communities will continue to have access to incentives for energy-efficient projects. There are opportunities for LDCs to participate in local programs via a $27 million fund. A full list of programs that are continuing and discontinuing are posted on the IESO website. The IESO will continue to work with transmission-connected customers to ensure conservation programs are available. The IESO will publish a Conservation and Demand Management (CDM) plan in May.

Ms. Judy Girvan asked if the $27 million fund has been documented with respect to its priorities and scope. Mr. Young said guidelines would soon be issued. Work is proceeding with the LDCs to get the transition done as quickly as possible.

Mr. Brian Bentz asked if the rules around the $27 million fund are clear. Mr. Young said they are becoming clear.

Mr. Jim Hogan said he would like to see reports providing information on things such as lost revenue adjustment. He asked if there would be a portal for distributors to see which of their customers are engaged in IESO programs so that distributors can support the programs. Mr.

Young replied that the IESO would look at how LDCs can be made aware of local customer engagement.

Mr. Bentz noted that the Conservation First Framework looked at efficiency in terms of kilowatt-hours. It would be helpful to LDCs if they could see the benefits coming out of conservation programs. Those benefits could potentially be auctioned and procured. Mr. Young said that as the system is decentralized, exploring non-wire alternatives would have its challenges but that the IESO is exploring these opportunities with a pilot in the York Region.

Mr. Passi asked if various levels of funding would be available for adoption of innovation projects within the context of the previous Industrial Accelerator Program (IAP). The timing and backlog of programs has been frustrating. Mr. Young said a highlight of the previous IAP program was the ability to fund innovation by working with customers; much ratepayer money went into it. With the transition of the new interim framework the IESO will be working with large industrials to see how they can address these needs.

Ms. Girvan asked if the reduced budget of $353 million to deliver the interim framework represents the entire reduction. Mr. Young said the entire reduction would be $445 million. Conservation energy savings are expected to be close to the previously set target.

Ms. Dezell said municipalities are drivers of conservation and would like as much information as possible to be shared. Mr. Young agreed, stating the municipalities are now being made aware of opportunities for water and wastewater treatment plants.

Mr. Hari Suthan said funding allocated within the interim framework and GIF could transform how customers want the sector to evolve.

Mr. Bruno Jesus asked why loss reductions are absent within CDM programs. Mr. Young said he was unsure.

<u>Comments from the Floor</u>

Mr. Andrew Teliszewsky from OPUS One Solutions asked for clarification on the $445 million reduction. Mr. Young said there would be less expenditure with the new CDM plan being put forward. Mr. Teliszewsky asked if this would change demand projections. Mr. Young replied that it would be factored in the demand forecasting.

<u>Agenda Item 4. Meeting Capacity Needs for 2020 and Beyond</u>
Mr. David Short

Mr. Short said the Transitional Capacity Auction engagement kicked off on March 7 when the IESO received stakeholder feedback. The DR auction will be expanded in Q4 2019 to incorporate off-contract, dispatchable generation as Ontario transitions from a period of surplus to one of significant need in 2023.

In response to stakeholder feedback, the IESO is reducing the scope of Phase 1 to allow sufficient time for stakeholder input. There have been two engagement sessions so far and more will take place in May when the market rules are presented for review. There may be an education session available for the Technical Panel as well.

Stakeholders identified a need to remove barriers to competitive participation by DR resources in the energy and ancillary services markets. If there is a high level of consensus the TCA will address this in the auction.

Target capacity will be adjusted where necessary to maximize participation and competition.

A session was held on April 18 on design features that were published on April 11. Loads receiving payment for energy dispatch was identified as a concern, as well as an opportunity for energy payments. Within the TCA, participants will have to incorporate start-up costs associated with energy payments. The Demand Response Working Group (DRWG) will discuss these subjects.

Comments

Ms. Rachel Ingram noted DR aggregators remain concerned about the ability to receive energy payments for loads. She commented that DR aggregators support expanding Ontario's procurement of capacity products to additional resources in a manner that provides a level playing field for all resources while ensuring efficient and fair competition, and added that for several years, many of her constituents, have been urging the IESO through the DRWG and the TCA and ICA stakeholder engagements to remove the barriers that prohibit DR resources, including those comprised of aggregated load, to participate in the energy, ancillary and OR markets prior to the first ICA. Ms. Ingram said that DR resources do not receive energy payments when their capacity is delivered under the DR Auction and have been consistently advised by the IESO since the inception of the DR Auction that this should be reflected in their auction bid prices. She further noted that under the TCA design, dispatchable fossil-fueled generators will receive energy payments for providing capacity and thus do not have to build this into their auction bid prices, and that this is discriminatory to DR participants. Mr. Short said a conversation about this will take place within the DRWG. Energy payments within the TCA will not be easy to resolve, but the goal is to ensure there is benefit for Ontarians. Ms. Ingram suggested slowing the process down in order to properly stakeholder the issue. Observing that there is no immediate need for additional capacity required in 2020, she wondered why the TCA could not be delayed until then so that the changes to the TCA could be made to ensure a fair, competitive, non-discriminatory auction that still achieves the desired objectives. Mr. Short said the time to enable resources is now.

Mr. Suthan said it is important to look at assets and how capacity can be added to grid at low cost. Private capital investments can be leveraged to add value to system.

Mr. Passi supported Ms. Ingram's point about the need for a level playing field. He asked what the Incremental Capacity Auction (ICA) would look like in 2023 with respect to capacity. Mr. Short said capacity will go up by 5,000-7000 MW and will focus on new builds. Mr. Passi suggested getting on it now.

Ms. Giannetta said there is a need to be clear about capacity, specifically related to upgrades. Phase 2 concepts must be clearly defined. Mr. Short acknowledged this need.

Mr. Nicolas Bossé noted that participation of imports appear to be treated differently with respect to timing of participation in the TCA and asked what are the drivers. Mr. Short said the drivers are time and complexity. It takes months to come up with protocols. Mr. Bossé asked what is the difference is between a system import and a unit import. Mr. Short replied it is up to the balancing authority to get power to the border. There is no concern about deliverability outside Ontario. Mr. Bossé asked about resources that are directly connected with the IESO system and whether they would be treated the same way. Mr. Short said that when looking at an individual resource, delivery must be assured.

Mr. Schembri said there is little traction for participation in DR within the retail sector. There is an opportunity for the Class B group to contribute to the market. Raising the complexity of DR programs could create a barrier for future participants. Mr. Short agreed that this would present a risk.

Mr. Norris said it is important to look at decisions in the spirit of competition, especially with respect to the ICA, where multi-year commitments will be needed. Also, the TCA was excluded from the business case.

<u>Comments from the Floor</u>

Ms. Sarah Griffiths, Enel X, echoed Ms. Ingram's comment about the need to create a level playing field. Enel X will be competing with participants that will have energy payments in addition to access to operating reserves and ancillary services. Aggregated loads for reserves and ancillary services are shut out in Ontario due to technical issues, and Enel X and others have been voicing concern about this for four years.

Mr. Anderson said that if a discriminatory issue were built into Phase 1, he would not expect it to be corrected in Phase 2.

<u>Agenda Item 5. Single Schedule Market Design</u>
Mr. Leonard Kula

Mr. Kula said with respect to Ms. Ingram's suggestion to delay the TCA to December 2020, that experience has shown that it is best to implement a new mechanism during a period of low stress. The 2020 TCA will address capacity in summer of 2022 and winter of 2023 – which is a period of high stress.

Mr. Kula said three high-level designs for the energy work stream of the Market Renewal Program were released in Q3 and Q4 2018. Eight weeks were provided for stakeholder comments and the IESO will provide response to that feedback in May. Feedback was received from large industrial loads that there is a preference to maintain a uniform pricing schedule for loads rather than the proposed zonal pricing. The IESO will seek approval of the three high-level designs by its Board of Directors at an upcoming meeting.

Since 2002 the IESO has used a two-schedule system: one to dispatch, and one to price. The results of a two-schedule system may be inconsistent, leading to confusion, and impacting system reliability. To manage this, the 2002 design introduced a set of inefficient out-of-market payments to reduce the risk to reliability and it has been a source of contention ever since. It has drawn the attention of the Market Surveillance Panel and Ontario's Auditor General.

A single-schedule market would resolve the inefficiencies of the current design. It is proposed that Ontario be divided into 10 zones that are subject to zonal pricing. Modeling shows that a zonal price is the lowest-price option for directly connected load and will help loads be responsive to accurate pricing. The IESO recognizes that zonal pricing can expose load volatility and so have worked to help mitigate this through the day ahead market. The proposed design is expected to reduce costs for industrial and commercial consumers by approximately 14% or $50 million annually, based on a current total of $370 million.

<u>Comments</u>

Ms. Giannetta praised the IESO for how contract management has been handled thus far.

Mr. Norris said zonal pricing would bring lower prices to the north, bringing benefit to the mining and forestry sectors, but potentially compromising the financial viability of generation assets. Northern Ontario is different from the south in that it is dominated by hydro facilities that not only produce electricity but also provide other societal benefits such as floods mitigation. This reality needs to be taken into consideration when making decisions on market design, particularly in the IESO's consideration of Northern Ontario differences in its detailed design work. Northern waterpower generators cannot afford to be put in a position where they cannot operate.

Mr. Passi said Ontario delivers 20% less power at more than twice the cost of a decade ago. The IESO should recognize that overlaying economic ideology onto a market has not worked in other jurisdictions. The price of electricity is not the key economic driver.

Ms. Ingram said introducing the TCA could produce unintended consequences, such as an uneven playing field. She asked what the IESO's beef is with respect to energy payments. Mr. Kula said the IESO wants to get it right and not rush in. Ms. Ingram said concern about energy payments has been on the table for years.

Mr. Hogan said he appreciates the attempt to mitigate volatility costs through zonal pricing. With respect to Ontario Energy Board variance accounting, distributors are charged one rate while they charge their customers a different rate, and there is a question about how to manage it. Mr. Kula acknowledged the point.

Mr. Bentz said the impacts of pricing on RPP customers would need to be confirmed, along with what the settlement process will look like. He asked if the price signal for investment and response would be about investing in areas where there is congestion. Mr. Kula said this is correct.

Mr. Passi said imagine that the goal of a mining company VP is to run the mine 100% of the time. However, current programs may send the signal that Ontario might not be the best place to do so. How will market renewal support the claim that Ontario is open for business? Mr. Kula said the single-schedule market will reduce costs for everyone and the methodology exists across North America. Patterns will differ from one mining company to the next. In aggregate, consumption decreases when hourly Ontario energy price (HOEP) is high, and increases when HOEP is low. Mr. Passi replied that the analytics are founded on hypotheticals.

Ms. Girvan asked for clarity that the differential would be paid through the global adjustment. Mr. Kula said the IESO is working with the OEB to determine the mechanics.

Mr. Suthan said it would be helpful to compare jurisdictions and provide a North American context.

Comments from the Floor

Mr. Anderson said volatility and risk will increase within congested zones and this should correspond with an increase in return. With respect to efficiency, he said the IESO considers short-run pricing as a response issue. AMPCO considers short-run pricing as short-running efficiency based on competitiveness. In addition, the long-run efficiency signal is intended to provide information about where to locate a business. However, electricity is not the first concern for a pulp and paper mill that must locate near trees or a mining company that must locate near ore. Also, shadow prices are not the same as locational marginal prices going forward. AMPCO members see higher risk, no return. Uniform pricing is a better fit. Mr. Kula said the reward is costs of less than $12 million per year. The risk is volatility. Given that a zonal pricing system reduces cost in aggregate by $12 million, the members would be essentially purchasing a $12 million insurance policy to avoid volatility.

Mr. Leon Wasser, Ontario Sustainable Energy Association, said the north is a special case for energy and it is wise to do economic modeling differently there, where the biggest challenges for generation and distribution exist. There are also specific opportunities in the north, particularly in Indigenous communities, and in mines and pulp and paper mills. It may be that the Grid Innovation Fund is too small, especially in the north. Hydroelectric facilities in the north are being affected by climate change and flooding. Greenhouse gas-producing diesel fuels must be addressed in the north as well. Glencore is a daring company that employed hydrogen fuel cells at the Raglan mine in Quebec.

Comments

Mr. Passi said $12 million in savings provided by zonal pricing is inconsequential. AMPCO members support uniform pricing.

Mr. Scongack said he is concerned with the level of complexity versus the benefit. Zonal pricing could create a broader price issue requiring a public policy overlay. Mr. Kula replied that the pricing system has been complex since 2002 and the Market Surveillance Panel recommended reducing complexity with zonal pricing.

Mr. Butters said the largest risk to successful market renewal is stakeholder buy-in. Without it, market renewal will be put at risk.

Mr. Passi noted that large consumers do not consider the current system complex.

Agenda Item 6. Updated Business Case for Market Renewal Program
Ms. Barbara Ellard, Ms. Jessica Savage

Ms. Ellard said the IESO has engaged a third-party consultant to calculate the cost-benefit analysis. The original approach drew from studies done in Ontario and outside of Ontario and sought a way to estimate how the benefits relate specifically to Ontario. A more granular approach is now being taken. The IESO will engage with market participants with respect to estimating their costs in the implementation of the new market design.

Ms. Savage said bimonthly meetings for stakeholder engagement are planned to engage on the MRP business case and provide general program updates. They will run in parallel with more specific, technical engagement sessions. Detailed design engagement sessions will help inform design details that reflect high-level design decisions for the energy and capacity streams. The energy engagement sessions will commence in Q3 2019, to be followed by engagement sessions for detailed design for the capacity stream.

Additional meetings will be held in June to discuss the MRP business case because Board approval for the MRP business case is targeted in August.

Ms. Savage asked stakeholders what the most important risks are that could impact MRP implementation and MRP realization of benefits.

Comments

Mr. Norris noted that the handout makes reference to only one alternative case. He suggested presenting a business-as-usual concept along with many other scenarios.

Mr. Butters echoed Mr. Norris's point, stating that a risk is that stakeholders do not ultimately support market renewal. Its original case is flawed and care must be taken when comparing an alternate case. He noted that the same third-party consultant has been re-hired. He advised the IESO to ensure that the process provides for meaningful opportunities for stakeholder engagement.

Ms. Dezell said technology and disruption create risk. Large industrial lands are being repurposed and this will impact the electricity system.

Mr. Passi said he supports seeing a business case and sensitivity analysis. He asked what success looks like within market renewal.

Ms. Giridhar said the natural gas market has gone through deregulation for 20 years where most did not need to commit to long-term contracts in the gas sector. There have been some very cold winters where many industrial customers faced insecurity. More certainty is needed. Ms. Ellard said long-term contracts would remain for the majority of the system so look for more flexibility with the incremental needs.

Mr. Kallonen asked, in terms of the sensitivity analysis, if the business case would build in scenarios for unknowns and how these will be managed. Ms. Ellard said these risks would be discussed with stakeholders and addressed in the business case.

Mr. Butters said Ontario weathered the polar vortex because it had access to gas, and this is significant. A short-term contract may seem to be a better deal, but it creates a reliability risk.

Mr. Passi said with respect to gas contracts, a balance must be struck between more reliability and less volatility.

Ms. Giannetta said it is important to avoid the risk of delaying the implementation of MRP that could lead to subsequent appeals of new market rules to the OEB.

Mr. Bentz asked if thought has been given to the coordination between the IESO and OEB on electricity pricing and settlements. Ms. Savage said resources have been put into this and work is under way.

Mr. Norris said that contracts are not necessarily bad, and markets are not necessarily good. It is not black and white, which is why alternative business cases are needed.

Ms. Girvan supported Mr. Norris's point that more alternative cases are needed.

Mr. Schembri asked when generators would be contracting loads. Ms. Ellard replied that bilateral contracting outside could be done outside of the IESO structure.

Mr. Bentz said there is merit to bilateral agreements that give consumers more choice and allow them to connect directly.

Agenda Item 7. Incremental Capacity Auction Update
Ms. Alexandra Campbell

Ms. Campbell said the high-level design for the ICA was released on March 22, 2019. The IESO hosted a Q&A on April 23. The design reflects the uniqueness of the Ontario market and shifts some of the risk to generators from consumers. Too much risk was put on consumers in the past. With respect to contracts, participants can attain a four-year commitment through the ICA if they clear successive auctions. It is a forward market that provides commitment for future revenue.

Comments

Ms. Ingram said the executive summary states that once the ICA is implemented, electricity producers can be paid for both the electricity they actually produce (through the energy market) and the capacity they provide (through the ICA). It is disappointing that energy payments will not be paid for all resources. Ms. Campbell said the point would begin being discussed at tomorrow's DRWG meeting. The avoided cost of energy is equivalent to the energy payment. Ms. Ingram said there are other costs beyond the avoided cost of electricity, and there can be balance.

Ms. Giridhar said the experience of the gas sector is relevant within the detailed design and worth further exploring.

Mr. Butters said he rejects the notion that there is too much risk on consumers. In the absence of a good business case, generators are skeptical about the ICA. Ms. Campbell agreed that a solid business case is necessary.

Ms. Giannetta said auctions subject generators to higher risk with respect to governance. No one wants to see wholesale energy market distortion. The auction should not be the only means for procurement; hybrid solutions in other markets have been successful but not yet explored. She advised considering all linkages to the ICA.

Ms. Ingram echoed Ms. Giannetta's comment about risk and governance. She said she supports the ICA and a move towards a competitive, nondiscriminatory market.

Mr. Passi noted that bad contracts are bad contracts, but not all contracts are bad.

Mr. Norris said he hopes the new MDAG will consider that generators are waiting to have a conversation about long lead-time and life span assets.

Mr. Scongack said 85% of Ontario's supply comes from nuclear and hydro. To put things in perspective, the MRP involves the remaining 15% of resources. The ICA is not a market mechanism that works for long-term assets. The correct mechanism requires a separate discussion. However, there is no need to place these mechanisms at odds with each other.

Mr. Butters said if suppliers are to take on risk, they would need a better governance structure. Mr. Butters suggested to the standing committee on general government that the IESO become more fully regulated by the OEB. He told the committee that the gas contracts were good contracts. What poisoned the well was the feed-in tariff because it colored all contracts.

Ms. Giannetta said it is easy to blame feed-in tariffs, but contracts cannot be painted with the same brush. Mr. Butters said feed-in tariffs were political and non-competitive.

Comment from the Floor

Ms. Griffiths supported comments made by Ms. Giannetta and Mr. Butters on the role of governance as well as the need for a level playing field, particularly with respect to penalties, incentives, and charges and noted that she was supportive of the move generally to more competitive markets.

Agenda Item 8. Approach to addressing contract implications as a result of the Market Renewal Program
Mr. Emanuel Movchovitch

Mr. Movchovitch said principles and key considerations have been developed when addressing contracts and the implications from the energy stream and the capacity stream.

Engagement will continue to address contract implications from the MRP as a separate initiative that is distinct from energy and capacity design activities. The timing will align with contract amendments as well as with the launch of the MRP.

Comments

Ms. Giannetta said stakeholders seek to maintain contract value. Amendments done in the past have led to value loss. With respect to the differentiation between the power purchase agreements, there are differences between classes so they cannot be lumped together. Mr. Movchovitch replied that the principles will be the same but the mechanics will differ.

Mr. Schembri asked why the IESO would not leverage all aspects of the contract for the benefit of ratepayers. Mr. Movchovitch replied that the IESO is not looking to extract or give away financial value from contracts. Contracts dictate how things happen.

Ms. Giannetta said the MRP would determine how contracts are settled and how mechanics will function. The process that will evolve to realize market renewal in a single-schedule and day-ahead market will change how things are done, which is fine. It is however necessary that the IESO should assure at the front end that it is not seeking to derive value from contracted resources.

Mr. Bentz said the anticipated contract amendments would be settlement-based, not value-based. He asked what kinds of changes distribution-connected facilities might see in terms of how they are settled. Mr. Movchovitch said there are approximately 3,000 such contracts. Distribution-connected facilities with IESO contracts (except microFIT) may be impacted by changes to the OEB's Retail Settlement Code.

Mr. Norris said that while there is no intent to extract value through contract amendment, the implications of market renewal could by definition extract value from generators unless mitigated. For example, in some contracts if HOEP is negative, the absolute value is subtracted during settlement.

Mr. Butters thanked the IESO for taking this kind of approach to amending market participant contracts.

Agenda Item 9. Other Business

There was no other business.

Agenda Item 10. Adjourn

Mr. Bentz adjourned the meeting. The next meeting will take place on August 14.