

IESO Technical Panel Meeting

Minutes of Meeting

Date held: March 21, 2017	Time held: 9:00 am	Location held: IESO Office, Toronto
Invited/Attended	Company Name	Attendance Status (A)ttended; (R)egrets; (S)ubstitute
Panel Members		
Robert Bieler	Consumer Representative	A
Ron Collins	Energy Related Businesses and Services Representative	A
David Dent	Natural Gas Representative	A
Barbara Ellard	IESO Representative	A
Sarah Griffiths	Other Market Participant Representative	TC
Brian Kelly	Generator Representative	A
Robert Lake	Residential Consumer Representative	A
Martin Longlade	Industrial Consumer Representative	A
Luis Marti	Transmitter Representative	A
Joe Saunders	Distributor Representative	A
Bill Wilbur	Generator Representative	R
Julien Wu	Brookfield Renewable	A
Chuck Farmer	Chair	A
Observers/ Presenters		
Hamlet Alexanian	IESO	A
Frederic Belanger	Hydro Quebec	TC
Jeannette Briggs	IESO	A
David Brown	Ontario Energy Board liaison	A
Jo Chung	IESO	A
Robin Doolittle	RBC Capital Markets	TC
Josh Duru	IESO	A
Darren Matsugu	IESO	A
Herman Mo	OPG	A
Rebecca Short	IESO	A
Mark Tinkler	Customized Energy Solutions	TC
Candice Trickey	IESO	A
Secretariat		
Susan Harrison	IESO	A
John Rattray	IESO	A
Scribe: Prepared by: Mitchell Beer/Smarter Shift Inc. Please report any corrections, additions, or deletions by email to engagement@ieso.ca		

All meeting material is available on the [Technical Panel webpage](#) on the IESO web site.

Agenda Item 1: Administration and Agenda

Chair's Remarks:

The Chair welcomed participants, reminded the group that Peter Rowles had concluded his term as a Technical Panel member, and congratulated Robert Lake and Bill Wilbur for being reappointed for second terms. He welcomed the four new members—Robert Bieler, Ron Collins, Sarah Griffiths, and Joe Saunders—and invited them each to introduce themselves. He said the new members had participated in an orientation session and received an overview of the Panel's work, including background on current engagements and on the three main topics of discussion for the day.

Review Draft Minutes of February 14 Meeting

The Chair acknowledged comments on the draft minutes received from Mr. Wilbur in writing in advance of the meeting, correcting page 3, paragraph 3 to state that he requested details of the approval process related to market renewal. With no further comments from members, the Chair said the minutes would be finalized and posted.

Review of Agenda

The Chair summarized the agenda for the meeting and reminded participants that when they voted on recommending items to the IESO Board for consideration, the IESO would take note of their comments explaining the rationale for their votes, where applicable, for the Board's information.

Agenda Item 2: Stakeholder Engagement Update

Susan Harrison referred members to the engagement update in the meeting package and highlighted a couple of specific initiatives.

She noted that the consultants (The Brattle Group) for the Market Renewal initiative presented the Draft Benefits Case to stakeholders on March 6, and the IESO set a March 22 deadline for feedback. Also, nominations for membership for the updated Market Renewal Working Group closed March 15, and IESO expected to announce the updated membership in the near future. The Working Group discussed the transition to the design phase of the Market Renewal initiative, and was working to develop an overall engagement plan and finalize the updated Working Group Terms of Reference.

In response to stakeholder feedback, the IESO launched a review of the IESO's Interim Market Document Change (IMDC), which forms part of the IESO's baseline process. As a result of the review and further input from stakeholders, the IESO will take steps to publish criteria for invoking an IMDC, address internal processes for providing history and rationale for specific topics, consider enhanced methods to communicate and publish feedback from IMDCs related to proposed market changes. These measures will be incorporated in proposed changes to

Market Manual 2:13 for broader stakeholder comment. These changes better align the process with the IESO's overall stakeholder engagement process. A webinar to discuss these measures will be scheduled in April.

Mr. Wu asked whether the Technical Panel's response to the feedback on the IMDC process would signal an end to the engagement. Ms. Harrison said that this was the intent unless other feedback needs to be considered following the April webinar.

Mr. Dent asked how long the market renewal process would take. Ms. Ellard said the project was expected to run four or five years, beginning with approximately one year for design.

The Chair said the IESO was thinking through the education process that will be required to help Technical Panel members and stakeholders prepare for their participation in the market renewal project. Details will be available over the next couple of months. Ms. Ellard referred members to the draft Benefits Case report on the IESO website.

Agenda Item 3: Prudential Support Obligations

Prudential Support – Revisions to Reductions in Demand Response Prudential Support Obligations, Interest Payments on Cash Deposits (MR-00430)	
Presenter	Rebecca Short
Action	Vote to recommend MR-00430-R00 to the IESO Board for consideration at its meeting on April 12, 2017. The recommended effective date is May 5, 2017.

Rebecca Short reported that the IESO posted the proposed rule amendment on its website for two weeks after the last Technical Panel meeting. There was no stakeholder feedback, so the version before the Panel was the same one Panel members discussed the previous month. The IESO recommended that members put the proposed amendment forward for consideration by the IESO Board at its April 12 meeting.

There were no questions from Panel members or observers.

The Technical Panel voted unanimously in favour of the proposed rule amendment, with no comments.

Agenda Item 4: Minor Rule Amendment Omnibus 2017

Minor Amendment Omnibus 2017 (MR-00429)	
Presenter	Josh Duru
Action	Vote to recommend MR-00429-R00 to the IESO Board for consideration at its meeting on April 12, 2017. The recommended effective date is May 5, 2017.

Josh Duru reported that the IESO posted the proposed rule amendment on its website for two weeks after the last Technical Panel meeting. There was no stakeholder feedback, so the version before the Panel was the same one that members discussed the previous month. The IESO recommended that Panel members put the proposed amendment forward for consideration by the IESO Board at its April 12 meeting.

There were no questions from Panel members or observers.

The Technical Panel voted unanimously in favour of the proposed rule amendment, with no comments.

Agenda Item 5: Real-Time Generation Cost Guarantee Program Cost Recovery Framework

Real-Time Generation Cost Guarantee – Cost Recovery Framework (MR-00425)	
Presenters	Jo Chung, Candice Trickey
Action	Vote to recommend MR-00425-R00 to the IESO Board for consideration at its meeting on April 12, 2017. The recommended effective date for these market rule amendments is as early as June 7, 2017, and will be specified in a notice to market participants.

Jo Chung and Candice Trickey introduced the discussion, with Mr. Chung reporting that the previous draft of the proposed rule amendments had elicited four sets of written comments during the two-week review period. In response, the IESO introduced two revisions to the summary and discussion sections of the framework, and one revision to the market rule language. The IESO recommended that the Technical Panel put the Real-Time Generation Cost Guarantee Program Cost Recovery Framework forward for consideration at the April meeting of the IESO Board.

Ms. Trickey said two main issues had arisen in the course of the extensive discussion on this proposed ruleset.

Generators were initially concerned that the market manuals to support the rule had not yet been published. The IESO’s usual procedure is to produce the enabling manuals after a rulemaking process is complete, but in this case staff drafted and posted the market manuals last fall, discussed them with stakeholders, and revised them based on stakeholder feedback. Should the proposed rule amendments pass, the IESO would then post the manuals for comment under the Baseline process.

Another issue was the time available for generators to work with the IESO to understand their resource-specific values (RSVs) for the cost of planned maintenance. In response, the IESO requested data from all generators and began the process of assessing and verifying the

submissions as they came in. After Christmas, staff began reporting draft RSVs back to generators that had provided full datasets, with details on which costs were eligible, which were reasonable and fully substantiated, explanations for any costs that had been deemed deficient and detailed calculations behind the draft values for each of the resources assessed.

The IESO had since conducted meetings with some generators to review the reports, while working with those that had not yet completed their data submissions. Ms. Trickey said the organizations with data still to report had been making good progress in recent weeks.

Mr. Dent asked how long it would take to receive complete information from the remaining generators. Ms. Trickey said the generators were making progress, but the timing to completion would be up to them.

Mr. Dent asked whether there was much commonality or volatility across the data and calculations the IESO had been able to complete so far. Ms. Trickey cautioned that none of the calculations were “complete”, in the sense that every cost the generators provided had been assessed and finalized, although a number of the reviews were nearing completion. She said the reports so far covered a fairly diverse set of facilities and showed big differences across facility types, with some commonalities across similar entities or within data subsets. In general, the range of differences can only be applied to similar cost items and not to the facilities as a whole, since some of the reports contained hundreds of cost items—which all vary for individual facilities.

Mr. Bieler noted that some of the stakeholder comments had referred to an absence of one-on-one discussions with IESO staff, and asked whether that degree of stakeholder dialogue was contemplated as part of the engagement process. Ms. Trickey said the market rules set the framework for the rulemaking process itself, and would not normally have dictated such an intensive round of engagement before new market rules were approved. However, the IESO recognized that the cost recovery framework was important to generators, and wanted to allow more time for them to understand and delve into the details. That process had now run eight or nine months, she noted, providing ample opportunity for generators to supply data and for the IESO to respond to those that had completed the process.

Ms. Trickey added that receiving third-party verification for each submitted cost is an important part of the review process, enabling the IESO to understand and verify the scope and cost of each cost item. The third-party documentation for claimed costs, was an area where complete information had not yet been provided. That gap led to further discussion between the IESO and the generators in question, but represented an obstacle to completing the process.

Mr. Bieler distinguished between the framework of the rule itself, which the Technical Panel was mandated to determine and implement, and the implementation of the eventual rule. He said he understood that every generator would receive information on the application of the

rule by the time it was implemented, and that one-on-one consultations were expected to continue. Ms. Trickey said that was a fair interpretation.

Mr. Collins asked why the process had been delayed, and whether specific technology resources had been more or less responsive. Ms. Trickey said she couldn't speak for individual generators, but had understood that not all of them saw it as a top priority. She said she could not speculate on the generators' prioritization in providing responses based on the type of technology.

Mr. Lake asked whether any of the assessments had pointed toward generators receiving higher cost reimbursements than they had in the past. Ms. Trickey said the assessments so far had revealed a couple of cases where generators had been conservative in their previous cost estimates, and stood to receive more money under the new proposed framework. A few will see little or no change, and some will receive less.

Mr. Lake asked whether third-party audits had taken place under the existing market rule. Ms. Trickey said she could not speak to that process.

Mr. Longlade recalled an earlier calculation that the program costs \$67 million/year and asked whether the IESO could provide an updated estimate. Ms. Trickey said the cost was difficult to predict—partly because not all the final values were in hand, but mainly because total costs will depend on how often the generators start.

Mr. Longlade said there had been considerable past discussion of reducing Generation Cost Guarantee payments to market participants. Ms. Trickey said the objective of the rule change was not to reduce payments, but to arrive at a clear, transparent understanding of what costs are eligible under the program.

Mr. Longlade asked whether the reference to cap and trade, on page 8 of the Market Rule Amendment Proposal, should have been presented in italic type with an accompanying definition. Mr. Chung said the question had arisen with the first draft of the rule, but the IESO had determined that there was no need to italicize, capitalize, or define the term, since the market manual is clear about the form of cap and trade it refers to.

Mr. Saunders asked about the generators' progress supplying data, and whether they generally seemed to accept the process. Ms. Trickey said every company had provided some data, with information on some facilities still outstanding, and reiterated that the IESO was working with the generators to arrive at final numbers. She said she couldn't assess the degree to which generators accepted the process. Some of the generators that provided the required information indicated that they were comfortable with the changes, and some that had been slower to respond had not indicated disagreement, and mainly seemed to be less engaged with the process.

Ms. Griffiths asked whether a set of pre-approved cost values and methodologies would result in pre-approved costs for facilities. Ms. Trickey said it would, noting that the IESO had opted for resource-specific values in lieu of a single, universal value to cover a diverse mix of facilities. Ms. Griffiths asked whether some costs are universal, and Ms. Trickey replied that many of them are—for example, the pre-approved cost of the fuel consumed during start-up is based on a daily index price.

Mr. Kelly asked how many generators fell into each of the three categories Ms. Trickey had outlined: those that would receive higher, lower, or relatively unchanged reimbursements under the new rule. She said at least two would recover more, but it would be premature to speculate on the full breakdown without all the data in hand. Mr. Kelly said most generators are concerned about lower reimbursements.

Mr. Kelly added that generators always knew this process would be a significant challenge, and that it would take a long time to complete. As generator representatives on the Technical Panel, he said he and Mr. Wilbur had consulted the generator community for views on the way the process had unfolded. He cited three responses from generators that said they had submitted their initial data in June or July, 2016 and received the IESO's feedback on their resource-specific values after 166, 172, and 191 calendar days.

Mr. Kelly said those examples showed that generators had cooperated with a very dense, complicated process as best they could. However, the discussion was now taking place on resource-specific values. And although it might feel like this process has been going on forever, the in-depth discussions only began in January, after generators received their draft reports. Now, he said, generators were being asked to support a rule change without a clear understanding of its individual economic impacts.

Mr. Collins asked how the Ontario Energy Board would treat the recovery of operating and maintenance costs. Mr. Brown said he couldn't respond on the OEB's behalf.

The Chair called for a vote, reminding Panel members that their advice and these minutes would be incorporated in the advice the IESO Board received on the issue. He encouraged members to comment in detail, to give the Board a full view of their perspectives.

Mr. Wilbur voted **NO** on the recommendation by proxy. The Chair read Mr. Wilbur's comments into the meeting:

Significant concerns of generators have not changed since the TP vote on this issue in September last year. These concerns are:

- The results of the one-on-one meetings with IESO and each generator that participates in RT GCG are not completed. My definition of "completed" in this regard is that the IESO has provided its final set of pre-approved values for each generator that is actively participating and has provided the requested

information. The process to gather and assess the required information has taken longer than expected and some generators may have been tardy in this regard, however some of the blame for the length of this process lies with the IESO as there have been some clarifications and changes to the information requirements since the original request last June. Also, there was a significant change in the understanding of what maintenance costs can be recovered that became apparent to generators just prior to the last TP vote on this rule and this change affects the vast majority of the RT-GCG costs that generators need to recover. I make this point for two reasons: 1) Generators cannot know the full impact of this rule change on their business until these details are determined and therefore their representatives on this panel cannot make a final determination on how to vote; and 2) I believe the one-on-one discussions between the IESO and generators have resulted in changes to the rule wording in the last few months, and I have no reason to doubt that further time for those discussions could improve the rule wording further.

- The requirement that all maintenance costs must be incremental in order to be eligible for recovery under this rule amendment is unfair to some RT-GCG participants. Those generators that have some permanent staff to perform maintenance activities cannot recover their compensation costs for these employees. So a generator that has enough stations and/or units to enable it to reduce overall maintenance costs by employing some full-time staff for that purpose is discriminated against while generators that exclusively use contract labour for maintenance are fully compensated.

Mr. Kelly voted **NO**, stating that there was still more work to be done by the IESO and generator representatives. He acknowledged that both sides have worked hard to advance this market rule amendment and stated that due to the complexity of the rule change itself, the incomplete status of the stakeholder process, and the potential financial implications for generators, it is not reasonable to support a recommendation to the IESO Board that the market rule amendment be approved at this time. He emphasized to Panel members that any implication that the length of time to complete the consultations is the result of “foot dragging” on behalf of the generators should be disregarded. In order to provide Panel members with a greater understanding of process that the IESO and generators have undergone Mr. Kelly provided examples of the timelines for the consultation process experienced by a sampling of several generators who participate in the RT-GCG program. He read through the following details:

Generator	Date of First Data Submission to IESO By Participant	IESO Issues Report to Participant	Status of Discussion From Generators Perspective
A	June 28, 2016	January 5, 2017	Discussions ongoing.
B	July 29, 2016	January 11, 2017	Discussions ongoing.
C	June 27, 2016	January 24, 2017	Discussions ongoing.
D	June 28, 2016	February 22, 2017	Discussions ongoing.
E	October 19, 2016	March 7, 2017	No discussions yet.
F	June 28, 2016	No Report Issued	Discussions ongoing,

Mr. Kelly stated that the information gathering and subsequent drafting of reports for individual generators, which represent the starting point for the one-on-one discussions, has been exhaustive. While it appears that the process has been ongoing for an extended period, much of that time has been spent, through no fault of either IESO staff or generators, on this aspect of the process. In answer to concerns that the stakeholder process has gone on long enough, Mr. Kelly reiterated that the stakeholder process may have launched several months ago, but the most challenging part of that process is the one-on-one discussions. These discussions flow from the reports provided by the IESO to individual generators have been advancing for only 2-3 months. This is important because the meetings between the IESO and individual generators had already revealed significant differences of opinion on fundamental issues, including treatment of costs associated with Long Term Service Agreements between generators and original equipment manufacturers which represent a significant portion of the overall cost associated with the RT-GCG program. He added it is unclear at this point what other issues will surface in the ongoing one-on-one discussions between the IESO and generators that will require additional changes to the proposed market rule amendment. For these reasons Mr. Kelly stated that he does not believe it is reasonable to support a recommendation to the IESO Board in support of the proposed market rule amendment.

Ms. Ellard voted **YES**.

Mr. Dent voted **NO**. He said the IESO had done a good job of producing the market manuals for discussion, but there was more good work to follow through the one-on-one discussions. He said his vote should not be interpreted as a veto for generators that had failed to supply information, but suggested there was still room for more dialogue.

Mr. Marti voted **YES**. While acknowledging that the new cost-recovery guarantee program will have a real impact on generators, he said the details were to be addressed through the market manuals, not the market rule. He said he was supporting the rule in the interest of a more streamlined process, greater transparency, and a clear set of expectations.

Mr. Wu voted **NO**, noting that all four of the generators providing comments had spoken against the Market Rule Amendment Proposal. He said it might have been helpful to receive

submissions from generators that stood to gain under the new rule. He also expressed concern that even the most advanced assessments for individual generators were not yet complete, and said he would hate to have to vote on an item that affected his own sector's interests when the final details were still taking shape.

Mr. Bieler voted **YES**, observing that the purpose of the Market Rule Amendment Proposal was to create an environment of greater transparency, clarity, and fairness across all generators. He distinguished between establishing a framework through a market rule and finalizing its application, suggesting that those details would sort themselves out in the marketplace through continuing discussion between market participants and the IESO. He said the rule was structured appropriately and represented the objective it was designed to achieve.

Mr. Saunders voted **YES**. He recalled reading about the concerns that had been raised at the Technical Panel's meeting on September 13, 2016, noting that members had agreed to provide time for further stakeholder consultation and more opportunity for generators to review the draft market manuals and resource-specific values. Since then, he said a lot of stakeholder engagement had taken place, the market manuals were provided, and some of the resource specific values were revised through one-on-one consultations. While that process was not yet complete, he said stakeholders had had an opportunity to comment on the process.

Mr. Collins voted **YES**, stating that the IESO had attempted to represent ratepayers' interests while going beyond standard requirements for stakeholder engagement. He said he was confident that more work and detail would go into the discussion of individual plants and facilities.

Mr. Lake voted **YES**, noted that the discussion had gone on for a long time but had not yet addressed the administrative savings that both the IESO and generators would achieve. In response to generators' request for more time, he said that if the issue was so very important to them, they would have made it a top priority to respond in a timely way. Mr. Lake said he perceives the IESO to be a very collaborative organization. He speculated that the IESO would be receptive to any requests to change the rule, or the associated literature and market manual, if and when the need arose. He pointed to the IESO's non-profit status as a factor that differentiates it from private generators.

Mr. Longlade voted **YES**. He said the stakeholder process had produced more contradictory statements between stakeholders and the IESO than he had ever observed. The engagement process had gone on for a very long time, regardless of whether that was because of a flaw in the process or some other external consequence.. He supported the IESO's rationales and drivers for moving forward.

Ms. Griffiths **ABSTAINED**, noting that as a new Technical Panel member, she had read the whole chronology of the issue but had not had an opportunity to participate in the discussions.

The Chair reported the vote as **7 in favour, 4 opposed, and 1 abstention**. He said staff would now take the Market Rule Amendment Proposal forward to the April meeting of the IESO Board, where the authority resides for approving market rule changes. The IESO will assemble a memorandum for the Chair's signature that captures the discussion. The Chair will attend the Board meeting as a neutral party and report back the full scope of the discussion, to ensure the Board has the Technical Panel's advice. Panel members' comments will be circulated for review and comment before it is forwarded to the Board.

Agenda Item 6: Other Business

Mr. Wu asked whether there had been any market rule or market manual changes as a result of recent electricity-sharing initiatives undertaken by Ontario and Quebec. Jeanette Briggs said no rule changes were required, since the agreement took the form of a contract under existing directives. Electricity from Quebec enters the province as a regular import, and is settled like any other contract. The Chair said an IMDC was initiated in January to update the contract settlements process in the market manuals as needed.

Mr. Wu said the addition of 500 megawatts of supply through the seasonal swap had initially caused considerable worry among electricity marketers. The swap is technically neutral, he said, and marketers have no objection to the two provinces exchanging capacity to maximize reliability, but they are concerned about two terawatt-hours of new supply being injected into the system. He asked about the role of HQ Marketing in scheduling energy back and forth between the provinces, and queried whether the IESO had any details on the new arrangement that would have a bearing on the interests of marketers. Ms. Briggs reiterated that the incoming supply is settled like any other contract, and undertook to investigate whether any more information is available.

Mr. Wu said marketers could see that the capacity swap changes would have no impact on their commercial interests because it was put in place through the market rule changes via the Technical Panel. He suggested that a market rule or market manual change process would have been similarly useful for the implementation of the subsequent energy agreement with HQ.

Mr. Wu asked whether the IESO makes any provision for stakeholder oversight of market manual revisions that follow the approval of new market rules. He recalled the generators' point about limited oversight of market manual development, acknowledged the IESO's efforts to improve transparency in the IMDC process, but said all market participants are affected by the market manuals and share an interest in their development. The Chair said the Technical Panel and the wider stakeholder community would have an opportunity to participate in the upcoming IMDC process review and any associated market manual changes. Mr. Kelly agreed on the importance of the IMDC review.

The Chair adjourned the meeting at 10:15 AM.

Next Panel Meeting: Tuesday, May 16, 2017

Action Item Summary				
#	Date	Action	Status	Comments
AI 294-1	Dec. 1, 2015	The IESO will provide an update to the Panel regarding the potential timelines and impacts of changing the reference to the OPA within Chapter 1 of the General Conduct Rule.	Open	
	March 21, 2017	The IESO will provide an update on recent energy arrangements between Ontario and Quebec.	Closed	Overview of Electricity Trade Agreement between Quebec and Ontario