

Market Renewal Working Group

January 20, 2017

Meeting Notes

Date held: January 20, 2017	Time held: 9:00 am – 2:45 pm	Location held: 120 Adelaide Street West
Company Name	Attended	Attendance Status (A)ttended; (R) Registered; (TC) Teleconference; (P) Presenter
Registered to attend in person were:		
Brookfield Renewable Power Inc.	Wu, Julien	R
EnerNOC, Inc.	Griffiths, Sarah	R
Gerdau Long Steel North America	Forsyth, Dave	R
Resolute Forest Products	Degelman, Cara	TC
Goreway Power Station	Coulbeck, Rob	R
Hydro Quebec Energy Marketing	Belanger, Frederic	R
Ivaco Rolling Mills	Abdelnour, Francois	R
MSP	Deweese, Don	R
MSP	Kelly, Brandon	R
MSP	Leslie, Glenn	TC
Northland Power	Samant, Sushil	R
Ontario Power Generation	Wizniak, Lynn	R
PowerStream	Sathe, Neetika	R
Tembec	Dottori, Paul	R
TransCanada Energy Ltd.	Kuntz, Margaret	R
McCarthy Tétrault	Vegh, George	R
APPrO	Butters, David	R
AMPCO	Anderson, Colin	A
Navigant Consulting	Grunfeld, Benjamin	R
Navigant Consulting	Magtibay, Marielle	R
Gowling WLG	Conway, Sean	R
IESO	Ellard, Barbara	A
IESO	Farmer, Chuck	A
IESO	Goyal, Reena	A
IESO	King, Ryan	A
IESO	Louw, Brennan	A
IESO	Nusbaum, Stephen	A
IESO	Rattray, John	A
IESO	Chapman, Tom	A
IESO	Butler, JoAnne	A

All meeting material is available on the IESO web site at:

<http://www.ieso.ca/Pages/Participate/Stakeholder-Engagement/Working-Groups/Market-Renewal-Working-Group.aspx>

1. Introduction – (Barb Ellard, IESO)

The IESO welcomed attendees and delivered a presentation setting expectations for the day and providing context for the discussion on governance to be held in the first half of the meeting. The presentation highlighted the IESO and stakeholders' shared interest in effective governance for the IESO administered markets. It also set out a list of questions for working group members to consider, including what issues with governance might need to be addressed, how these issues impact the market renewal initiative, and how the IESO and stakeholders might work together to resolve identified issues.

2. Governance Jurisdictional Scan – (Benjamin Grunfeld and Marielle Magtibay, Navigant Consulting)

Representatives from Navigant Consulting presented a jurisdictional scan of electricity sector governance models. The scan covered four jurisdictions – Ontario, Australia, the United Kingdom, and New York – and focused on (i) the roles of various players in decision making and oversight and (ii) market rule dispute resolution processes. The presentation highlighted that while the four jurisdictions had broadly similar market rule amendment and dispute resolution processes, Ontario generally has fewer checks and balances around industry structure and long-term resource procurement.

Discussion

Attendee question: What needs to happen in order to change Ontario's governance structure?

Response: That depends on the change being contemplated. It could require legislative change or it could be under IESO control.

Attendee question: You mentioned the appeal process in Ontario whereby market rule changes can be appealed to the Ontario Energy Board (OEB). How often has a rule appeal been made?

Response: An appeal has been made twice in recent memory: most recently for the stakeholder engagement on renewable integration (SE 91), and once for 3 times ramp-rate.

Attendee question: Does the OEB provide input throughout the rule making process or does it only get involved once a rule change gets to the point of appeal?

Response: The Technical Panel has an OEB observer who attends Technical Panel meetings and listens to the discussions on proposed market rule amendments. In addition, the Market Surveillance Panel (MSP) of the OEB attends various stakeholder engagements and may submit written comments on proposed rule amendments. The IESO is required by legislation to submit its assessment of the impact of a proposed rule amendment to the OEB (on the interests of consumers with respect to prices, reliability and quality of electricity service).

Attendee question: Does the OEB rule on every market rule amendment?

Response: The OEB has the power to review upon request by any person, or on its own initiative IESO Board approved amendments. Upon completion of such reviews, the OEB has the power to stay, or revoke and refer IESO Board approved amendments back to the IESO for further consideration.

Attendee question: You mentioned the IESO has an urgent market rule amendment committee. Does this body meet often?

Response: No. While the framework exists they would meet only rarely in the case of an urgent market rule amendment.

Attendee question: Who was involved in the development of a capacity auction in the United Kingdom?

Response: There was extensive consultation. The introduction of the mechanism was initially sponsored by the Department of Energy and Climate Change (DECC) but the rules were ultimately approved by the Office of Gas and Electric Markets (OFGEM).

Attendee question: What did the UK have in place prior to the capacity auction?

Response: There was a bilateral market for agreements between suppliers and consumers.

Attendee question: The presentation referred to a review of the governance structure in the UK electricity sector. Have any of the recommendations from that review moved ahead?

Response: The review was just finalized this past summer. The extent to which its recommendations will be implemented is still to be determined.

Attendee question: Who has conducted the reviews of governance referenced in your presentation?

Response: The reviews were led by independent organizations or regulatory bodies. In the UK, the review was led by the Competition and Markets Authority (which is a government entity

but outside of the electricity sector) and in Australia the government commissioned an independent organization to conduct the study.

Attendee question: Can you please comment on the role of the Federal Energy Regulatory Commission (FERC) in market rule amendments in the US?

Response: Rule changes have to adhere to guidelines established by FERC and they have to go through FERC for approval (with the exception of Texas, where changes have to be approved by a state regulator).

Attendee question: To what extent is Ontario beholden to FERC?

Response: Ontario is non-FERC jurisdictional. Ontario follows North American Electric Reliability Corporation (NERC) reliability standards (though we have the opportunity to remand standards that are deemed inappropriate). FERC exercises certain authorities over NERC. However, FERC does not have any authority over Ontario's market rules.

Attendee question: You mentioned New York's shared governance model. How are committees structured in New York?

Response: Committees are made up of market participants (MPs) and are focused on specific issues. In order to take part, MPs go through an application process and pay to become members. NYISO's Board makes the final decision on who is included on the committee, but there is typically representation from a range of MP groups.

3. Governance: Stakeholder Perspective – (George Vegh and Dave Butters, APPRO)

George Vegh and David Butters shared their perspectives on the issues and challenges with electricity sector governance in Ontario as they relate to Market Renewal. The discussion was framed by the view that increasing the role for markets is the right approach but that improved governance is needed to move forward with the project. The presentation focused on opportunities to address governance issues through the IESO rule making process. The following topics were highlighted as potential areas for increased transparency or improvement:

- The mandates and roles for the different parties involved in rule making processes (SAC, TP, Board, Staff, market participants, others);
- The criteria by which rules are evaluated, e.g., cost benefit both prospectively and retrospectively;
- The transparency of the process: the record upon which decisions are made;
- The relationship between rules and other policy instruments, e.g. market manuals;
- The conduct of and approach to market appeals; and

- Enforcement issues, e.g., treatment of information between MACD and rest of IESO; conflicts of interest in process

The presentation was followed by a discussion on this topic, which was facilitated by Sean Conway.

Discussion

Attendee comment: There is a need for greater transparency in how decisions are ultimately made by the IESO Board, including what information is used to make the decision. In particular, stakeholders should be able to see how their feedback filters up to the Board and how it is considered in the decision making process.

Attendee question: What is in scope when we are talking about governance changes to the electricity sector?

Response: The goal for today is to identify issues. Some of those may be broader than the Market Renewal project. In the previous presentation, the focus was on issues that are within the IESO's control. Today we want to hear about all of the governance related items you care to identify but ultimately it may be easier to deal with issues that are within the IESO's control.

Attendee comment: The best approach may be to leave government policy to policy makers and focus on what we can control.

Attendee comment: Generators and consumers go to government because they don't trust the governance system that is in place. There needs to be change in how decisions are made and who is at the table in order to increase trust in the IESO. With the Independent Market Operator (IMO – the precursor to the IESO) there was a stakeholder board with 5 MP members and decisions required a super-majority.

Attendee comment: An indication that things are not working in Ontario is the fact that companies are voting with investment capital that the province is not getting. We should always bring these conversations back to the price of electricity. The point in the presentation that we should revisit cost benefit assumptions after implementing changes makes sense. So too does the idea of focusing on governance change that is within our control.

Attendee comment: We are probably not going to change the structure of the IESO Board but the Stakeholder Advisory Committee (SAC) and Technical Panel (TP) are structures that should have their roles, responsibilities, and impact reviewed. We are not going to get the design perfect the first time so the way we make and evolve rules going forward is important.

Attendee question: What resources does the OEB have for the appeal process?

Attendee response: The OEB relies on a process that doesn't require significant resources. Individuals bring forward their cases to an OEB panel capable of exercising judgement based on the information brought forward.

Attendee comment: SAC is a holdover from the IMO which had a largely stakeholder board. It is based on the idea of shared governance. We may not need to change the structure of the Board but we do need to ensure stakeholders can participate appropriately in decision making.

Attendee comment: One positive thing about the IESO's governance structure is that it doesn't result in the same substantial amount of litigation that occurs in the US.

Attendee comment: It seems like other jurisdictions generally have more stakeholder representatives in terms of how decisions are made. It may not be necessary to have weighted votes on everything (as occurs in New York) but we need to make sure that stakeholders are adequately represented in the decision making process before we get to the point of making rules for the Market Renewal project.

IESO question: What is the appropriate venue to continue the discussion on governance? Should there be a dedicated group for this topic or is the Market Renewal Working Group the best option?

Attendee Response: The working group is likely the appropriate place for the discussion to continue.

4. Engagement Structure - (Ryan King, Tom Chapman, IESO)

The IESO presented initial considerations regarding challenges and potential approaches to stakeholder engagement under the Market Renewal project. The presentation identified the fact that, due to its broad scope, Market Renewal is not a typical IESO project and will require unique approaches to effectively engage with stakeholders. The presentation put forth a number of key ideas relating to engagement including the need to clarify the roles and responsibilities of existing structures such as the Stakeholder Advisory Committee, the Technical Panel, and the Market Renewal Working Group. It also put forward the need to engage effectively at a variety of levels; from technical deep dives to strategic high level discussions to broad educational outreach. The potential for an executive panel to provide strategic advice was proposed as one structure that could help to achieve this goal.

The IESO's presentation was followed by a discussion on engagement structure facilitated by Benjamin Grunfeld from Navigant Consulting.

Discussion

Attendee question: Why is an executive level committee being proposed?

Response: It provides a dedicated forum for higher level strategic advice, specific to Market Renewal. It also provides an opportunity to ensure that our stakeholders are being engaged at a variety of levels and to ensure that communication is occurring effectively not only between the IESO and stakeholders but also up and down within both the IESO and stakeholder organizations.

Attendee comment: Having another tier for strategic discussions makes sense. This approach was used both by the Market Development Committee and the Market Forum. The IESO should consider having these sessions facilitated by an independent party. There will also be a need to be clear about who has authority in decision making.

Attendee comment: The IESO proposal to have a separate stakeholder engagement for each work stream (i.e., capacity, energy, and operability) makes sense.

Attendee question: How would an executive forum align with SAC? If they provided conflicting advice, whose would be most important?

Attendee response: SAC just provides advice. All advice can be considered, there is no need to identify whose advice is most important. It should also be noted that SAC is a forum where a lot of people show up to hear the discussion. You could have a format for Market Renewal which would give transparency to the process.

Attendee comment: If you had good executive level representation from across the sector it would add legitimacy to the project.

Attendee comment: Care will be required to ensure that the views of the entire sector rather than the views of the individual organizations are being represented.

Attendee comment: Some groups may be cut out of this process or may not have sufficient background. For example, senior executives of industrial consumers don't live and breathe the electricity sector as CEOs of generators do.

Attendee comment: There need to be opportunities for all stakeholders to take part in Market Renewal. For the working group, there is a need to ensure the right individuals are involved in order to debate ideas in appropriate detail. The right number and representation on the working group moving forward isn't clear but it shouldn't be too large and it should include individuals with the knowledge required to move the project forward. There should not be a need to worry about overburdening working group members. The individuals on the group have the support of their companies. It is a commitment that the relevant organizations have to make. Market Renewal is a huge project and education is an important part of it.

Attendee comment: There may be opportunities to include different people at different times in the working group. For example, there might be different individuals involved in the capacity and energy work streams.

Attendee comment: The Enhanced Day-Ahead Commitment (EDAC) process worked well as an engagement structure. There was a design working group and then additional groups for specific knowledge areas; for example: settlements, operations, IT, etc. There were a lot of meetings and discussions and market rules were vetted at the design working group level. This made the TP process much smoother.

Attendee comment: You need to ensure that when you are consulting with stakeholder groups - like SAC or the working group - that the outcome of those consultations is brought back to other stakeholders.

Facilitator question: How should disagreements be handled?

Attendee response: At the Electricity Market Forum, there was no sense that there had to be consensus. However, stakeholders should have the opportunity to ensure that their own view is reported for the record in their own language.

Attendee comment: The concept at the Market Design Committee was substantial consensus. While the term was never fully defined, the concept worked well and avoided the need for unanimity in decision making.

Attendee comment: The working group is a good forum for certain discussions but there also need to be sub groups with more technical and practical ability. These should have the IESO and stakeholders working together. Their work would filter back up to the working group, technical panel, and others.

Attendee comment: It makes sense to have working group members present to the broader stakeholder community and to the TP. This can help with communication up and down through various stakeholder groups.

Attendee comment: The idea of co-chairs on the working group is a good one. It would result in the IESO and stakeholders working together as peers on the same level.

Attendee comment: If the co-chair is independent it can help improve the transparency of the process.

Attendee comment: Rather than having the IESO record notes it would be useful to have an independent party record the conversation. This would help make the notes public in a timelier fashion and ensure that comments are reflected in stakeholders' own words.

Facilitator question: How should decisions be made?

Attendee comment: The idea of substantial consensus is a good one. So is the concept of requiring some sort of super-majority vote. The majority need to be in agreement or at least agree to move on.

Attendee comment: If you have substantial consensus and accurately record dissenting views it is likely most stakeholders would be fine with this approach.

Attendee comment: If there is voting, getting the weighting right by sector is very important.

IESO question: Are there voices that need to be better represented in this process? If so, how do we include them?

Attendee comment: Lower volume consumers need to be better represented.

Attendee comment: Smaller customers need to be better represented but if we have principles that lead to a more efficient system that can help to protect their views as well.

Attendee comment: For the Market Forum someone was hired to be the consumer advocate.

IESO Comment: That is an idea we can look into. Otherwise, do we have the right representation moving forward with the working group?

Attendee comment: APPrO and AMPCO need to be included.

Attendee comment: When we get into design we will need to bring in more specialized individuals.

IESO question: So what should the working group's role be moving forward?

Attendee comment: The working group can tackle higher level topics like principles, setting design elements, or even preparing presentations for the broader SE.

Attendee comment: It makes sense to have each more detailed sub-group report back up to the working group.

Attendee comment: There is a need to understand what the roles and responsibilities of each group will be and how they will all fit together (e.g. SAC, TP, working group, etc.). Then there is a balance in representation by both sector and expertise.

IESO questions: Are there other groups that are under-represented now?

Attendee response: There may be a bigger role for emerging technologies, although there is currently a representative on the working group.

Attendee comment: There may also be a bigger role for LDCs.

Attendee comment: LDCs can help with smaller customer as well as emerging technology perspectives. It is not clear how many LDCs should be on the working group but there is a need to engage them more fully in the broader stakeholder context.

Attendee comment: We may also want to include the MSP in a role beyond that of just observer.

IESO question: Given some of the comments about trust that were raised earlier, would it be helpful to have someone independent lead us through the change management process?

Attendee comment: When we previously worked on a Day-Ahead Market having external consultants that worked with market participants and the IESO helped to move the process forward.

Attendee comment: Having help with the change management process could be useful.

Attendee comment: There is a need to revisit the objectives for this project. They haven't been clearly set out.

Facilitator question: Do others agree the objectives haven't been clearly set out?

Attendee comment: The IESO has been clear and consistent about the objectives of the project.

IESO comment: It may be a good time to revisit our previously stated objectives and principles. We will do that at a future meeting.