

May 18, 2016

To: Clients and Colleagues

From: Jason Chee-Aloy, Travis Lusney, and Alison Cumming, Power Advisory LLC

RE: Comments on the Ontario Planning Outlook 2016 Update at the Stakeholder Advisory Committee Meeting on May 11, 2016

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On May 11, 2016, the Independent Electricity System Operator (IESO) presented to the Stakeholder Advisory Committee (SAC) an update to the Ontario Planning Outlook 2016 (OPO 2016). The update from the IESO included a description of the feedback received from stakeholders on the OPO 2016 document published at the March 23, 2016, SAC meeting. This client note summarizes the OPO 2016 update to stakeholders and provides high-level Power Advisory commentary.

## **BACKGROUND**

Bill 135, the *Energy Statute Law Amendment Act, 2015*, is expected to be passed into law shortly. The Bill will establish a new three stage planning process that will guide the development of the electricity sector in Ontario. The first stage of the new planning process is a technical report by the IESO to government on the long-term capabilities and needs of the Ontario power system. The OPO 2016 is the IESO's technical report to government.

Following the SAC meeting on March 23, the IESO invited comments from stakeholders on the OPO 2016. The IESO held one-on-one meetings with approximately 25 stakeholders to facilitate discussions on the proposed planning process and the preliminary outlook published in the OPO 2016. The IESO also received written submissions from seven stakeholders, primarily industry associations.

## **SUMMARY OF FEEDBACK RECEIVED AND IESO RESPONSE**

The IESO presented key themes of the feedback received from stakeholders along with the IESO's general responses to this feedbacks.

Key Themes	IESO Response
The reference case outlook is one possible future. There should be a recognition of risks/opportunities and potential impacts through scenario planning.	Report to recognize risks and uncertainties including the potential implication for planning arising from, for e.g., uncertainty around nuclear availability, demand/CDM uncertainty, and availability of resources with expiring contracts. Report will also recognize the opportunities various technologies and distributed energy resources could provide and their implications for planning.
The report should assess the implications of climate change policies and the impact of electrification on demand, electricity needs.	Report to describe the potential impacts and implications for the planning outlook arising from cap-and-trade and electrification.
The report should discuss the role of various technologies and inter-jurisdictional trade in the development of the plan.	Report to describe various opportunities that could emerge over the planning timeframe, the role they play, and implementation considerations. Report will not make specific technology recommendations.
Report should recognize that system need can have various facets and some technologies are better suited than others in meeting those needs. Technologies should be allowed to compete to provide those services.	The report will be technology agnostic but will describe the particular needs that could arise (e.g., capacity, energy, GHG reduction) over the planning timeframe across various scenarios, the role various technologies could play in meeting those needs, and potential mechanisms/approaches for acquiring resources.
Report should recognize evolving customer choice and opportunities for customer participation.	Customer choice and de-centralization of the grid are trends that will be considered in the development of the report. Report to recognize the need for customer engagement throughout the planning process. Implications for planning will be discussed.
The IESO should provide stakeholders further details related to data, assumptions underpinning the report.	Assumptions and underlying data will be released with the report.

***POWER ADVISORY COMMENTARY:***

*The key feedback themes listed by the IESO align with the risks and issues within the first draft of the OPO 2016 identified by Power Advisory. The majority of the issues revolve around the increased uncertainty of the Ontario electricity sector due to internal risks (e.g., nuclear refurbishment plan) and external factors (e.g., climate change impacts). The IESO's responses to the key feedback themes indicates that the IESO views the OPO 2016*

*as a technical assessment of power system needs, opportunities, and risk. The IESO is not intending for the OPO 2016 to be a procurement strategy document (i.e., technology agnostic with no specific technology recommendations for power system needs). Power Advisory expects that the next Long-Term Energy Plan will outline components of a future procurement strategy.*

*SAC members provided generally positive feedback to the IESO's responses and commended the IESO for recognizing the important contribution stakeholders can provide to the planning process. As the IESO considers the adoption of a capacity market, the depth of analysis of the power system and involvement of stakeholders will become more important. A detailed and robust analysis of future supply need will be required to attract the best projects and prices from proponents. Publishing assumptions and underlying data publicly followed by vetting from stakeholders is an important aspect to addressing and mitigating future planning uncertainties. Data and additional information releases are important for stakeholders to allow them to perform their own internal risk assessments and determine impacts on existing assets and future development opportunities.*

## **KEY SOURCES OF CHANGE OVER PLANNING HORIZON**

The IESO identified three primary activities that will influence change to the Ontario power system and electricity market over the planning horizon (i.e., next 20 years).

1. Risks and uncertainties (aging fleet, nuclear schedule delays, Pickering extension, demand/CDM, transmission end of life, expiring contracts, etc.)
2. Evolving opportunities (renewables, storage, interjurisdictional trade, customer choice and participation, etc.)
3. Cap-and-trade and electrification (due to electric vehicles, fuel switching, etc.)

## **NEXT STEPS**

The IESO provided a draft schedule for next steps in the OPO 2016 process. The OPO 2016 schedule will be influenced by the timeline of passing into law of Bill 135 and the timing of when the IESO will receive a letter from the Minister requesting delivery of the technical report (i.e., the OPO).

May:	Continue to draft the technical report, submit to IESO Board of Directors
June/July:	Submit technical report to government

***POWER ADVISORY COMMENTARY:***

*The extended timelines for completing the OPO 2016 reflects the amount of work still required to be done by the IESO and supports the conclusions that the IESO has understood the feedback from stakeholders and intends to incorporate the feedback in the final OPO 2016. Power Advisory expects that the timeline of passing into law of Bill 135 will be dependent on the government's climate change action plan.*