

IESO Stakeholder Advisory Committee Meeting Minutes
Preliminary Organizational Meeting
November 3, 2005
4:00 pm

Advisory Committee Members in Attendance

Mr. Brian Bentz	Mr. Bruce Lourie
Mr. Bruce Boland	Mr. Paul McMillan
Mr. Bruce Campbell	Mr. Matthew Picardi
Mr. Steve Dorey	Mr. Chuck Stradling
Ms. Julie Girvan	Mr. Don Thorne
Mr. Mike Humphries	Mr. Daniel Whyte
Mr. John LeMay	

Also Present

Ms. Glenna Carr, Chair of the Board of Directors of the IESO
Ms. Elizabeth Morris, Manager Stakeholder Engagement
Mr. John Rattray, Senior Counsel, IESO, Secretary

Presenters

Mr. Ted Leonard
Mr. Peter Sergejewich

Administration and Introduction

Pending the selection of a Chair and Vice Chair by the Committee members, the first meeting of the Stakeholder Advisory Committee was chaired by Ms. Carr.

Following introductions Ms. Carr outlined the background to the establishment of the Stakeholder Advisory Committee. The purpose of the Stakeholder Advisory Committee is to provide advice to the Board and senior management. It is a two way approach in which the Board and senior management will seek advice from the stakeholders, and stakeholders will initiate discussions and make their concerns known to the Board. Other forums, including the technical panel and stakeholder working groups, will provide technical advice and recommendations to the IESO.

Ms. Carr emphasized that Committee members are appointed to represent specific constituencies and as such it is important that members actively seek the advice and input of their constituency on a regular basis.

The IESO Board and senior management have been working closely with the OPA to coordinate their activities in an efficient manner, including the effective use of stakeholder resources and time. With the objective of making the best possible use of stakeholder time the IESO and the OPA are discussing the possible use of the Stakeholder Advisory Committee by both the IESO and OPA.

It is the IESO's expectation, as reflected in the draft in terms of reference, that meetings of the Stakeholder Advisory Committee will be open to the public.

To assist Committee members in understanding both the broader electrical sector and the role of the IESO, briefing materials and orientation sessions are available. Mr. Campbell said that briefing materials are readily available having been prepared for the recent Board appointments. Briefing materials and orientation sessions may be arranged through either Mr. Campbell or Elizabeth Morris.

Mr. Campbell provided an overview of the agenda items on the IESO business plan and corporate performance measures. The presentation of the IESO business plan is to set the stage for advice the IESO would be seeking from the Committee over the coming year. Mr. Campbell said that there would also be a brief presentation on the proposed corporate performance measures which have been posted for comment on the IESO's website. The IESO was not asking for detailed comment today but requested Committee members to forward their comments within the next week prior to the proposed performance measures being taken to the Board for approval on November 18.

Business Plan

Mr. Ted Leonard made a presentation on the key messages of the current business plan and provided an overview of the IESO's financial information.

Mr. LeMay observed that the proposed IESO fee reduction was offset by the creation of the OPA.

Mr. Picardi questioned whether the IESO had sufficient resources to achieve its reliability objectives for next summer, emphasizing that it was important to understand what you were capable of doing and not getting ahead of yourself. Mr. Campbell said that the reliability initiatives for the summer of 2006 would require minimal system changes and testing. Though the business plan had been finalized prior to the decision to implement the proposed reliability initiatives for the summer of 2006, it was believed that the business plan made sufficient provision for any required system application changes.

Mr. Whyte inquired as to whether the business plan provided sufficient resources for necessary capital expenditures arising out of Electric Reliability Organization (ERO) initiatives.

Mr. Campbell replied by noting the close working relationship between the IESO and various reliability organizations; as a result of these close working relationships the IESO had a good understanding of where the industry was going and had concluded that the IESO would not need to implement significant changes to comply with the new standards.

Mr. Boland enquired whether the IESO would continue to fund the OPA; Mr. Campbell confirmed that the provision of funding for the OPA was a one time event.

Mr. Boland asked whether the IESO monitored uplift, commenting that if it is growing it will require attention. He would like to see statistics relating to uplift.

Mr. Bentz inquired about the manner in which the balance sheet presented debt; Mr. Leonard explained that the debt was with the province. Mr. Bentz noted that the projected cost reductions were largely as a result of declining amortization costs and he asked whether this reflected a change in capital expenditure practices. Mr. Leonard said that the IESO had not changed its capital expenditure practices but that capital expenditures were anticipated to decline as a result of technological changes, efficiencies (not engaging in designing and building at the same time), and efficiencies from evolving applications rather than developing them for the first time.

Mr. Bentz said that while it is great to propose fee reductions, was the IESO doing any benchmarking with other jurisdictions regarding appropriate standards to maintain reliability and infrastructure, and whether the IESO was providing good value. Mr. Campbell reviewed the IESO's leadership through Mr. Sherkey, Vice-President - Corporate Services, CFO and Treasurer, in working with other ISO's to develop standard statements of account to facilitate benchmarking. The exchange of information has, however, been delayed by the FERC initiative on standard accounts. The greatest variation in ISO's respective rates is as a result of the larger ISOs being able to spread their costs over a larger market, resulting in a lower fee. While the OEB, intervenors, the Board, and management of the IESO would like to see the benchmarking data sooner rather than later, actual timing will depend upon the FERC initiative.

Ms. Girvan asked about the process used to identify and prioritize reliability initiatives. Mr. Campbell said that based on the experiences of the summer of 2005 the IESO had identified key areas to address and had stakeholdered these proposals in September. There was significant support for these initiatives. It was recognized that as a result of time constraints it would be necessary to prioritize the initiatives and move forward quickly.

Mr. Humphries inquired whether there was a clear division of responsibilities amongst the various entities involved in the electricity sector, particularly with the recent addition of the OPA. Mr. Campbell undertook to provide an overview of the breakdown of responsibilities between the OPA and the IESO.

In response to a question by Mr. Lourie about the role played by the IESO to help facilitate new supply, Mr. Campbell discussed the actions taken by the IESO to address the potential reliability impact arising out of the closure of the Lakeview Generating Station. Mr. Campbell contrasted this to the new role of the OPA in procuring sufficient resources in support of the hybrid market.

Corporate Performance Overview

Mr. Sergejewich provided a high level overview of management's recommendations for the 2006 corporate performance measures, inviting input from the Committee on the proposed metrics. The IESO was proposing to remove two of the 26 operational measures while retaining them as internal measures. Management had concluded that the IESO has too many

operational performance measures and would like to reduce the number of measures as stakeholders become comfortable with the proposed revisions.

In response to a question by Mr. Humphries the IESO will provide a short explanation as to the rationale for each performance measure.

Mr. Lourie suggested that a performance measure related to energy management should be included. Mr. LeMay commented that energy management was the OPA's responsibility.

Mr. Whyte thought the IESO also needed a measure on the quality of working life at the IESO.

Ms. Carr encouraged the members of the Stakeholder Advisory Committee to review the material in greater detail and to provide their comments for the Board's November meeting. In particular she encouraged committee members to identify those measures which might be deleted – consistent with the general conclusion that there were too many measures – and whether there were additional measures which should be added. Ms. Carr said that the Board was looking for stakeholder advice and guidance at a strategic level to ensure that the performance measures appropriately captured the IESO's activities.

Draft Terms of Reference

Draft terms of reference had been prepared and circulated by the IESO to assist in the start up of the Committee. Ms. Carr noted that the Board would need to approve the Committee's terms of reference at some future date once the Committee had had an opportunity to work with and revise, as appropriate, the proposed terms of reference.

Mr. Boland expressed concern that the terms of reference not be overly prescriptive. For example, if you were limited to "open meetings" would this prevent the members from meeting privately as appropriate? He also commented that the direction that the Committee focus on matters of policy and avoid duplication of other stakeholder engagement processes should not fetter the Committee from providing advice to the Board.

Ms. Carr and Mr. Campbell emphasized the IESO's desire for an open and transparent process. They observed that open meetings were seen as being very important by most stakeholders and that this was considered a "best practice" by other ISO's.

Mr. Boland then inquired as to whether the IESO would support pre-meetings by constituency representatives. In response, Mr. Campbell said that based on the individuals and organizations represented on the Committee the IESO did not anticipate that it would be necessary to organize pre-meetings.

Mr. McMillan said that he did not consider pre-meetings and the process for assessing constituency support an appropriate matter to be addressed in the terms of reference. Mr. Campbell said that the IESO expected the representatives to adequately represent their constituency and that constituency concern regarding representation would be a factor to be assessed by the Board of Directors when Committee members were up for reappointment.

The discussion then addressed the process for setting the agenda for Advisory Committee meetings. Mr. Bentz expressed an interest in exploring a more inclusive process for agenda setting whereby the agenda would be set based on a rotating agenda team. This would avoid a concern that the agenda was being set based on self interest rather than the interests of the Committee as a whole. The IESO undertook to draft up language to reflect an alternative process for agenda setting.

In response to a question by Ms. Girvan as to who decides what is voted on, the IESO replied that it had struggled with the concept of voting. The IESO will bring forward issues, and ask for advice on both specific questions and broad principles/directions. The objective of the Committee is to ensure that the Board understands the position and rationale of the different stakeholder constituencies; the mere reporting of a vote would not serve the objective of conveying the richness and diversity of opinion expressed at the Committee.

It was agreed that it is preferable for the members to vote by November 20 for the Chair, and that once the Chair has been elected they will then vote for the position of Vice Chair.

Proposed Agenda for November 28

The IESO provided an outline of the proposed agenda items for the November 28th meeting of the Committee. Materials will be provided in advance of the meeting. There are items on the proposed agenda seeking advice from the Advisory Committee which will go to the Board of Directors on December 7. These initiatives include the proposed day-ahead commitment process for 2006, global adequacy market rule change, and constrained off payments for importers / exporters.

Mr. Humphries suggested that a summary of agenda items proposed be provided. This summary would put the issue in context and provide some rationale as to why the issue was being brought to the committee and the urgency/timeline required for resolution.

Future Meeting Dates

After discussion Committee members agreed to schedule Committee meeting dates the day before scheduled meetings of the Board of Directors to facilitate the attendance of Board members at the Committee meetings.

The meeting adjourned at 6:10 pm.