

# Ontario Market Outlook

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# The IESO's Role Within the Industry

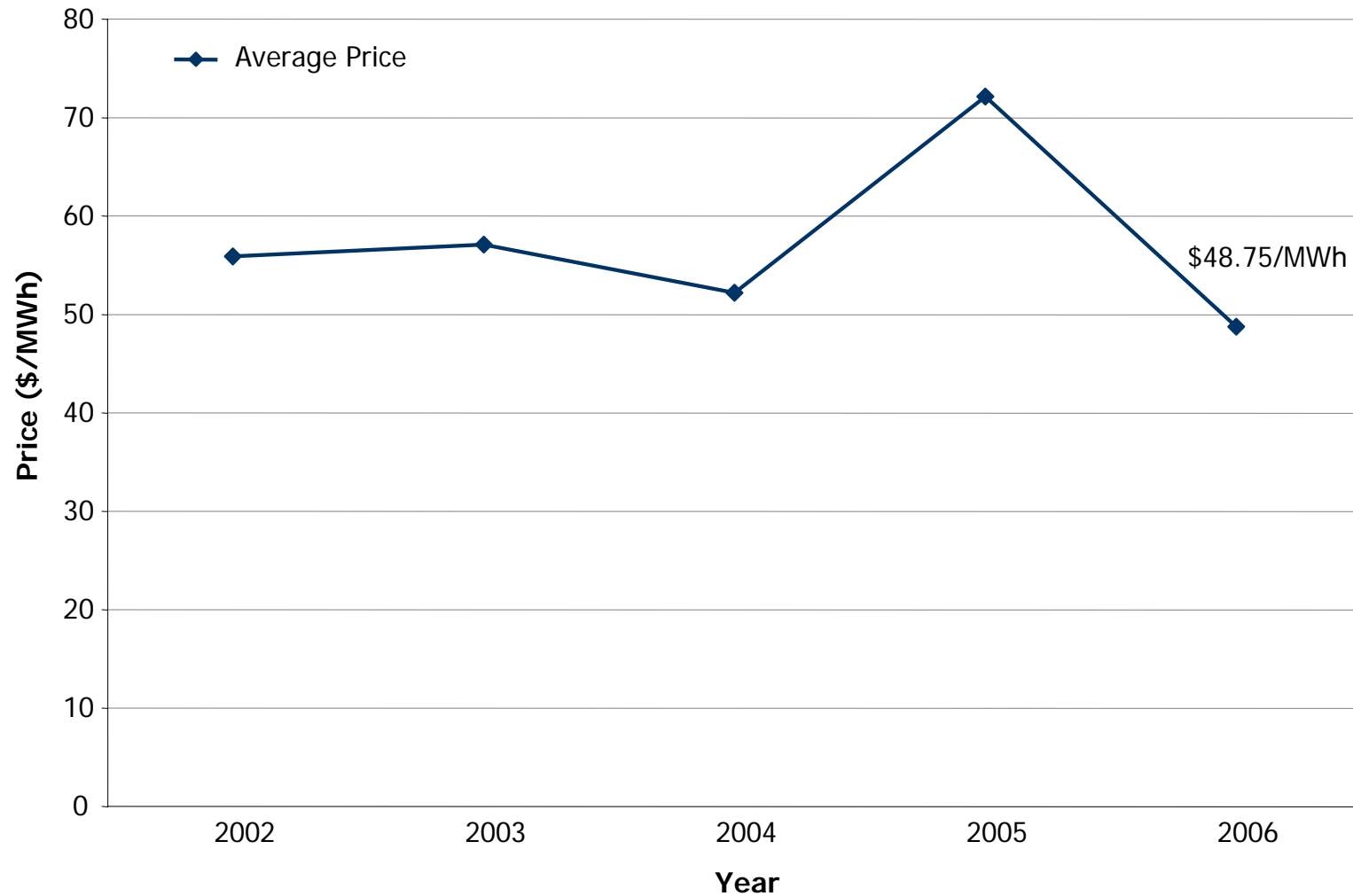
- There are a number of different entities but all of them have their own set of accountabilities and defined responsibilities

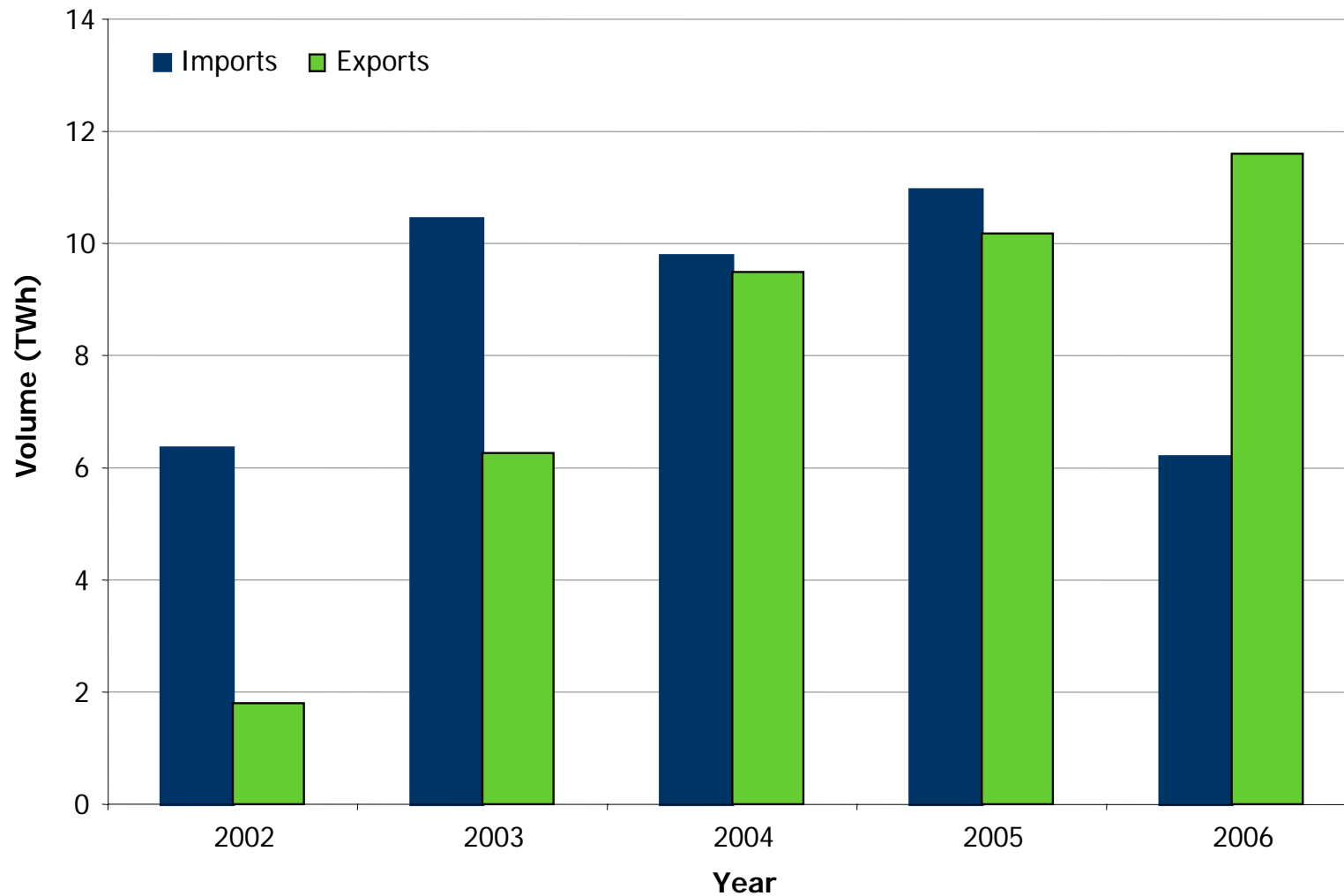


- The IESO manages Ontario's electricity grid - directing the flow of electricity across the transmission system to meet the province's power needs
- We balance this demand for electricity against available supply through the wholesale market

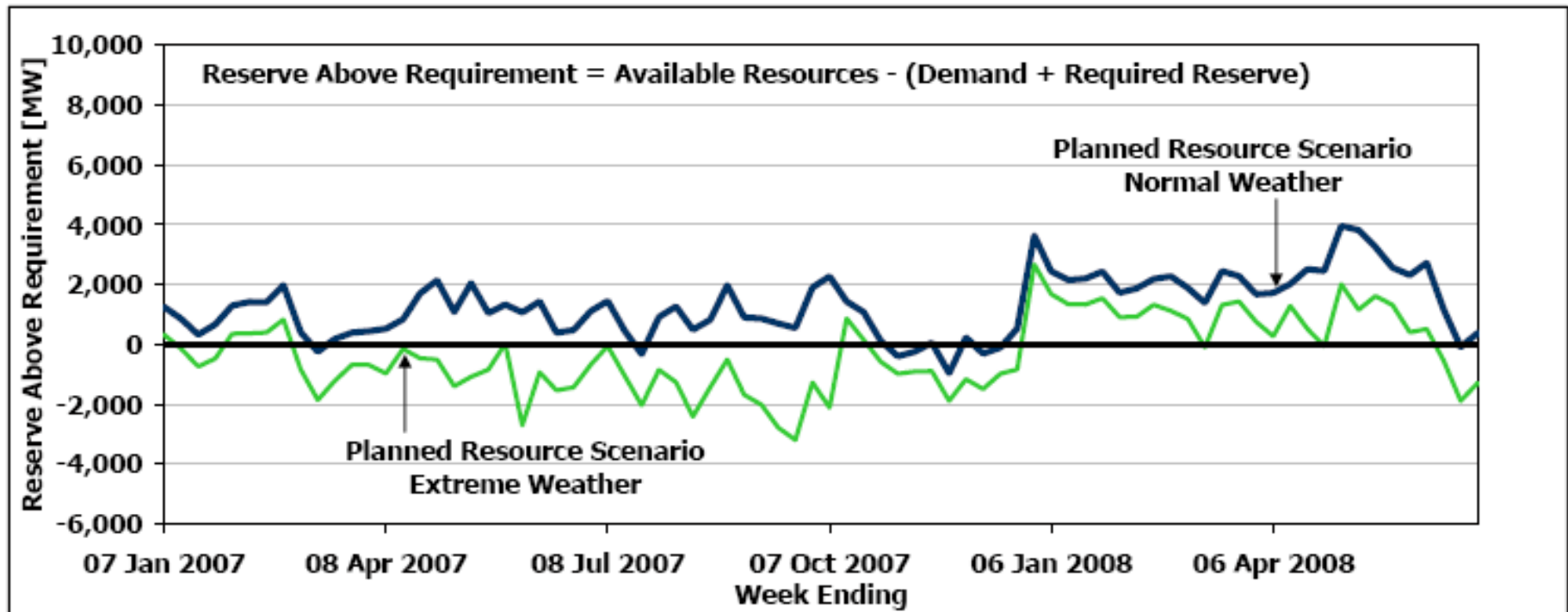
# 2006 in Review

## Average Ontario Energy Price





## Reserve Above Requirement



- The supply situation is and will be reflected in market prices
- Price signals:
  - Attract imports when they are most needed
  - Promote competition and efficiency
  - Encourage demand response
  - Should stimulate investment in generation resources

- Demand response is a cornerstone of the government's long-term resource adequacy plan
- Market price signals provide demand response when it is most needed
- Accurate market price signals are also critical to exploiting the full potential of the government's smart meter program

- Investors have indicated, through their behaviour, that market conditions to date have not been sufficient to support investment
  - Various risks, many external to the market, have driven investors to require long-term contracts
  - OPA contracts are based on market conditions
- Over time – move to less central control, and more commercial and transparent distribution of risk, with price signals being more directly allowed to do their job.

- Continuing to evolve this market is an objective of the IESO
- Ontario needs to look beyond the spot market that is in place
  - Load Serving Entities
  - Day-ahead market
- Need to define realistic goals and proceed with incremental changes that demonstrate benefits

# A Day-Ahead Market in Ontario

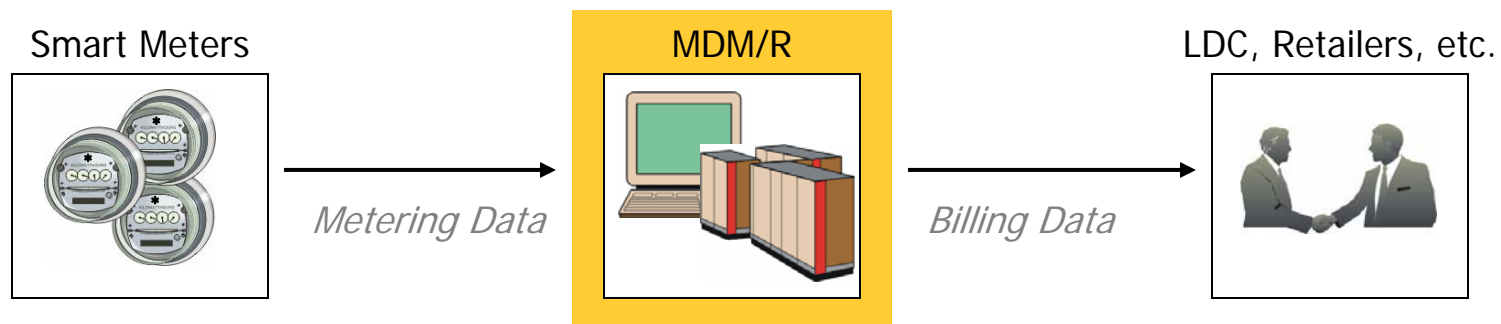
- Producers and consumers can make decisions 24-hours in advance
- Consumers can use day-ahead price signals to shift consumption
- Greater generator certainty leads to improved reliability
- Better alignment with natural gas industry



# Where Do We Stand Today on the DAM?

- Over 2007, IESO will be consulting on the potential benefits that may be available through more comprehensive day-ahead arrangements
- Stakeholder engagement is getting underway
- IESO will develop a Business Case with a Cost/Benefit analysis
- Targeting fall for IESO Board consideration

- IESO appointed Program Coordinator of the Smart Metering System Implementation Program
- IESO's main responsibilities:
  - Establish Meter Data Management / Repository (MDM/R)
  - Integrate MDM/R into meter-to-bill processes
  - Act as coordinator of SMI Program
- The MDM/R at a high level:



# Smart Metering and the Customer



