Prioritize AI Oversight and Enable Innovation

How AI Risk Tiering and Advanced Data Sharing Accelerate Implementation

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Speaker Introductions

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About the IESO

Operate Ontario's province-wide electricity system 24/7

Oversee the electricity market, driving competition to maintain affordability

Plan for Ontario's future energy needs

Support innovation and emerging technologies

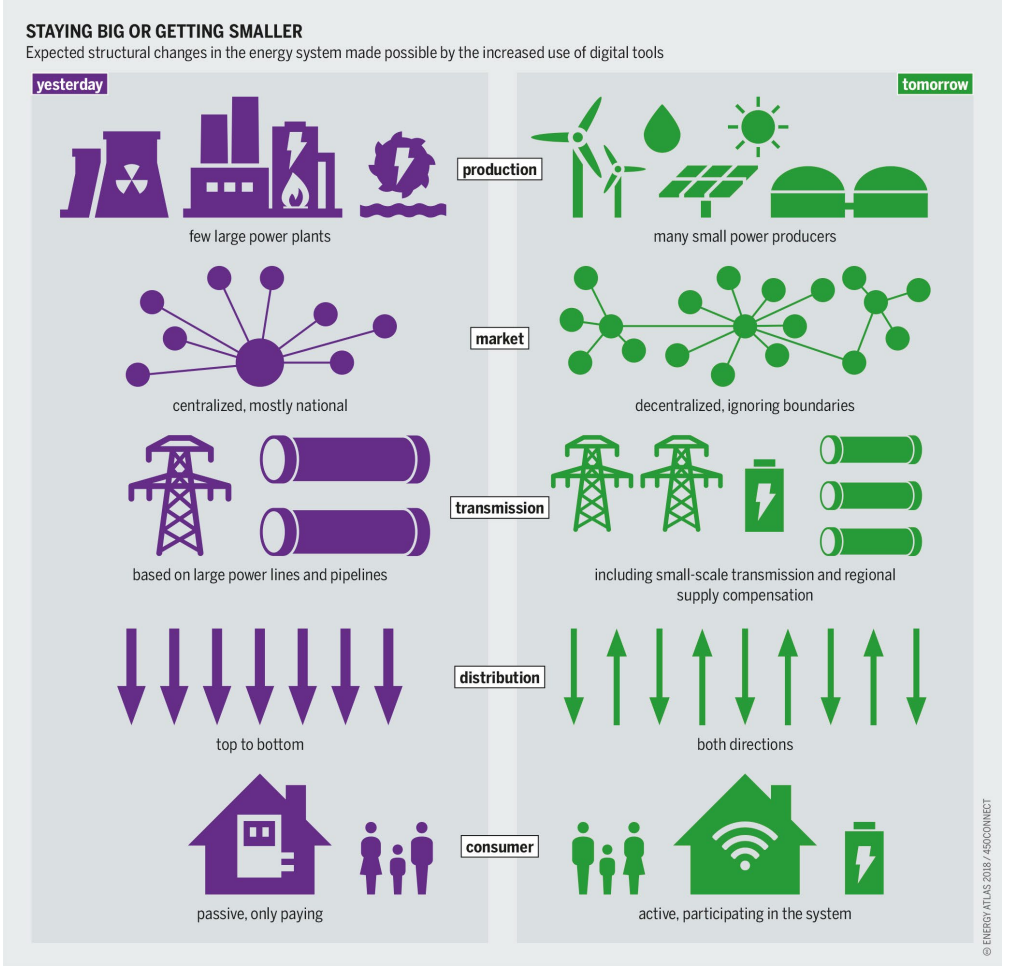
Work closely with communities to explore sustainable options

Enable province-wide energy conservation

Ontario's designated Smart Metering Entity

Current Challenges and Future Trends

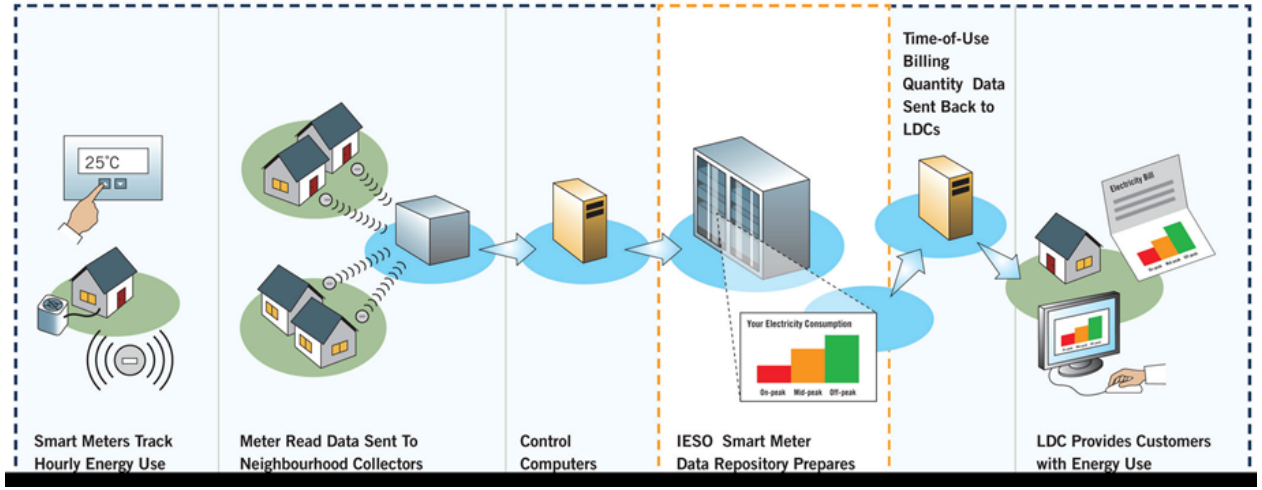
- From Centralized Control to Distributed Orchestration
- AI becomes foundational to Reliability and Planning
- DERs evolve from Passive Load to Coordinated Reliability Resources
- Cybersecurity evolves into a cross-layer System Risk
- Markets adapt to Distributed, Machine-speed Participation
- System efficiency depends on integrated DX–TX digital optimization



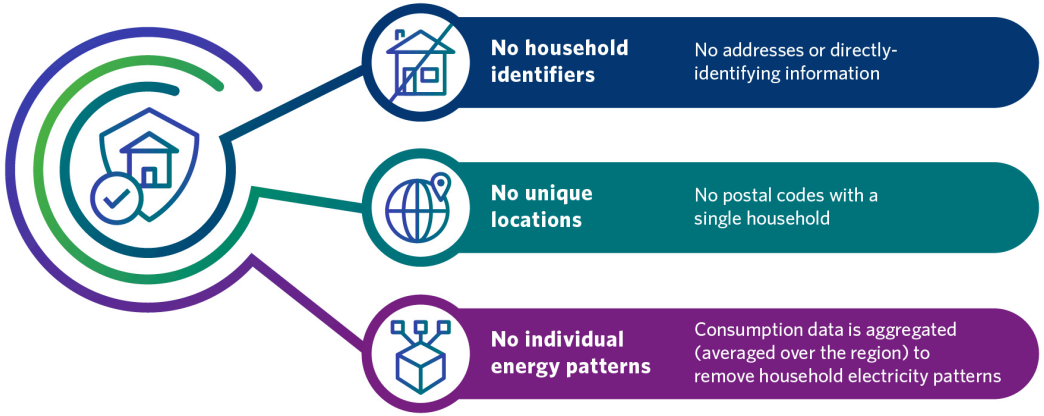
ieso
Connecting Today. Powering Tomorrow.

Ontario's Smart Metering System

- One of the largest data systems globally, supporting Ontario's 50+ utilities billing of 5.5million customers and creating broad data & analytics value from its massive datastore.



- Privacy, Security and Ethical Use of Data are Built-in, so that Ontarians' information is Anonymized, Aggregated, Scrutinized for Ethics and Legally Protected.

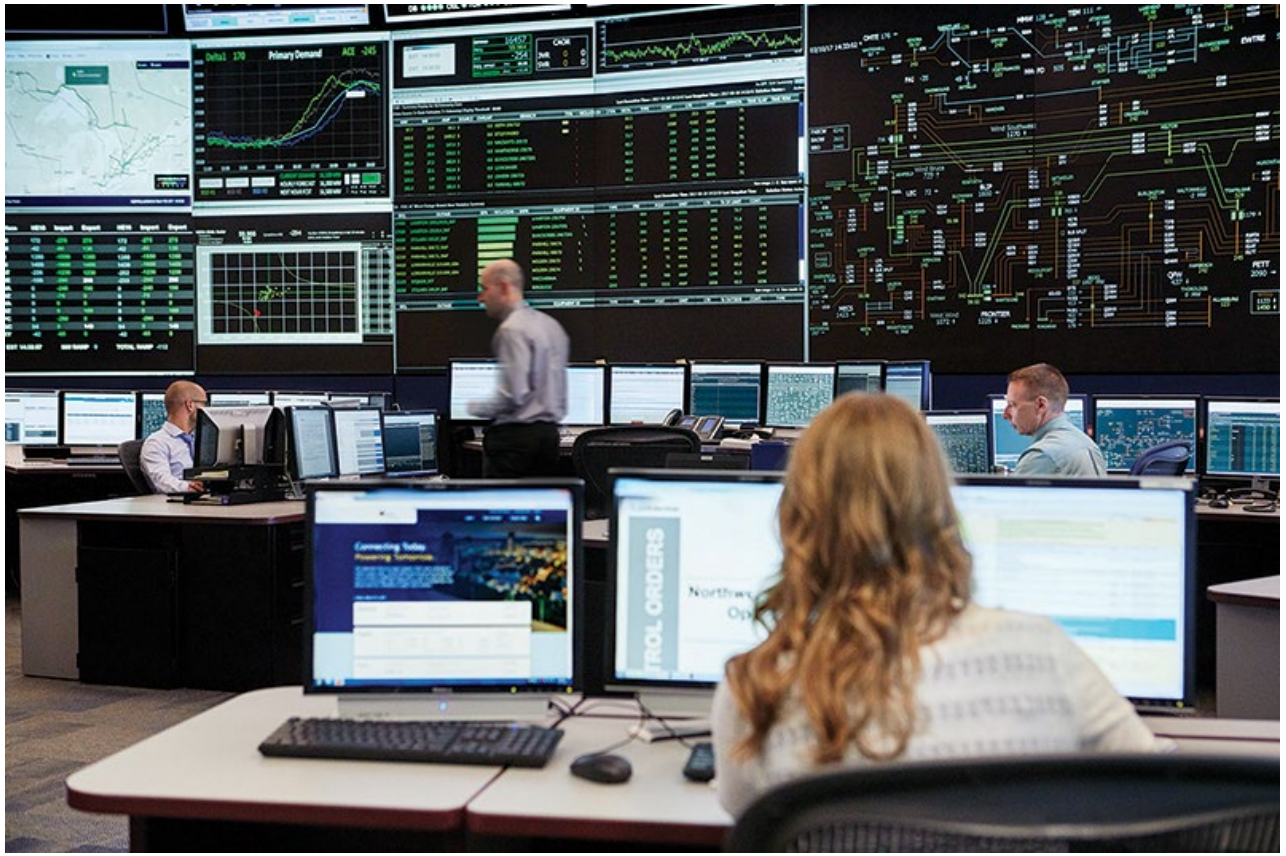


https://www.ieso.ca/en/Sector-Participants/Smart-Metering-Entity/Consumption-Data

"AI is the New Electricity"

"Just as electricity transformed almost everything 100 years ago, today I actually have a hard time thinking of an industry that I don't think AI will transform in the next several years…."

Andrew Ng, Stanford Graduate School of Business address, 2017



Why is this so hard? Systemic & Specific Challenges

Systemic

Deck Chairs Problem

- Differences in kind versus degree
- Failure is not a choice

Risk Tolerance

- “Over trust” in computers
- Lack of alignment with “baseline” human error rate
- AI problem or underlying problem?

Public Trust

- “Consent”, “notice” and other models
- Technological complexity

Specific

1. AI FOMO
2. Procurement Uncertainties
3. Non-harmonized regulation
4. Technologically complex; reliance on developers
5. Lack of industry standards; qualifying body
6. Hallucinations (or sometimes called “bullsh*&#tting”)
7. Privacy considerations
8. Degradation
9. Unpacking bias
10. Ambiguity of the status of “training” in PHI permitted uses
11. Evolving IP landscape
12. Compliance-Technology Translation

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Concerns and solutions

AI Threat

Why the concern

- **“AI”** is used to describe a wide range of tools, from regression to large language models; the **size** and **impact** of an AI system is highly variable.
- **Regulators** increasingly focused on AI applications.
- **Risks of data misuse** can be heightened given reduced AI explainability and transparency, and increased ease of use

Managing Threat

What can be done

- The **use case** for the AI system is a critical factor in determining risk, scaling the impacts of misuse.
- Attacks depend on the **access** and **type** of AI technology. Predictive AI vs generative AI is a useful classification.
- **Tiering** AI risk builds on best practice from financial services, a highly regulated field with extensive experience delivering on model risk management.

Data Sharing

Options to mitigate

- **Contractual obligations** to ensure purpose definitions, AI governance, formal certifications, attestations, or best practices.
- **Inform and train** data users on the risks of AI and their obligations in terms of best practices.
- **Verify adherence** for higher risk use cases/systems by requiring proof of certification, assessment, or documented practices.

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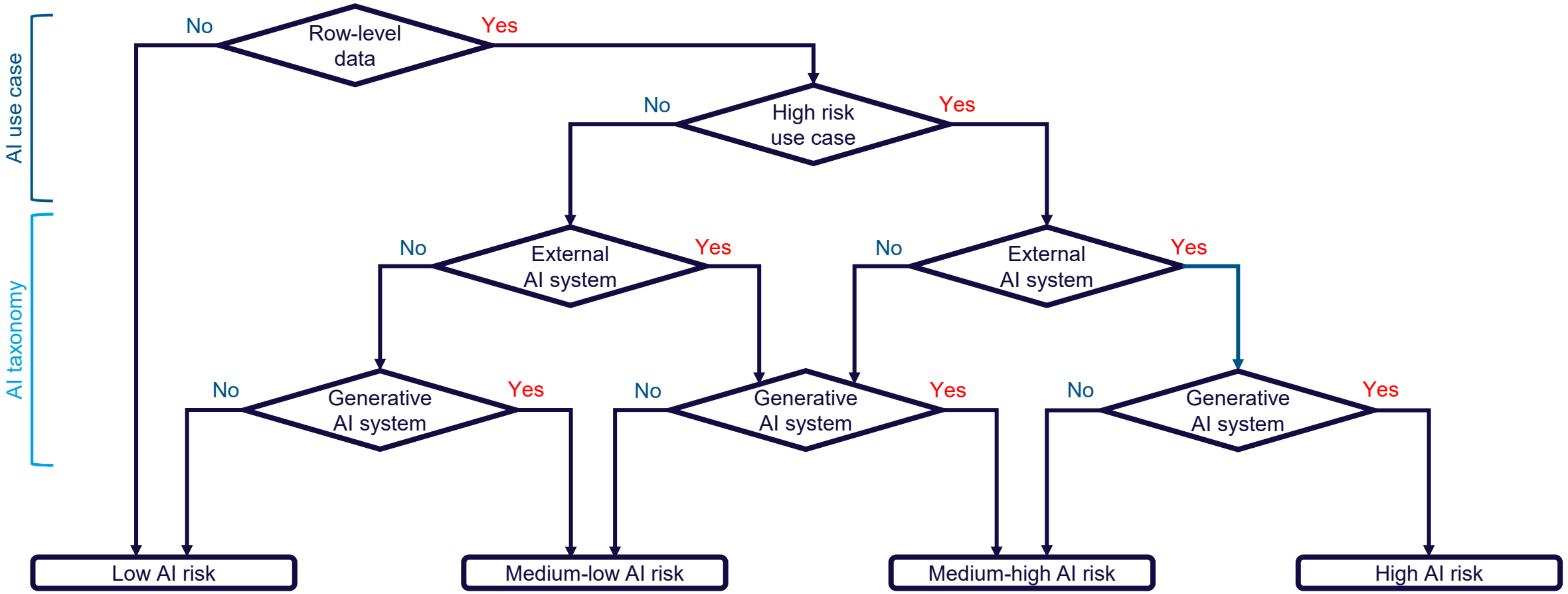
AI risk tiering example: preliminary rating before mitigation



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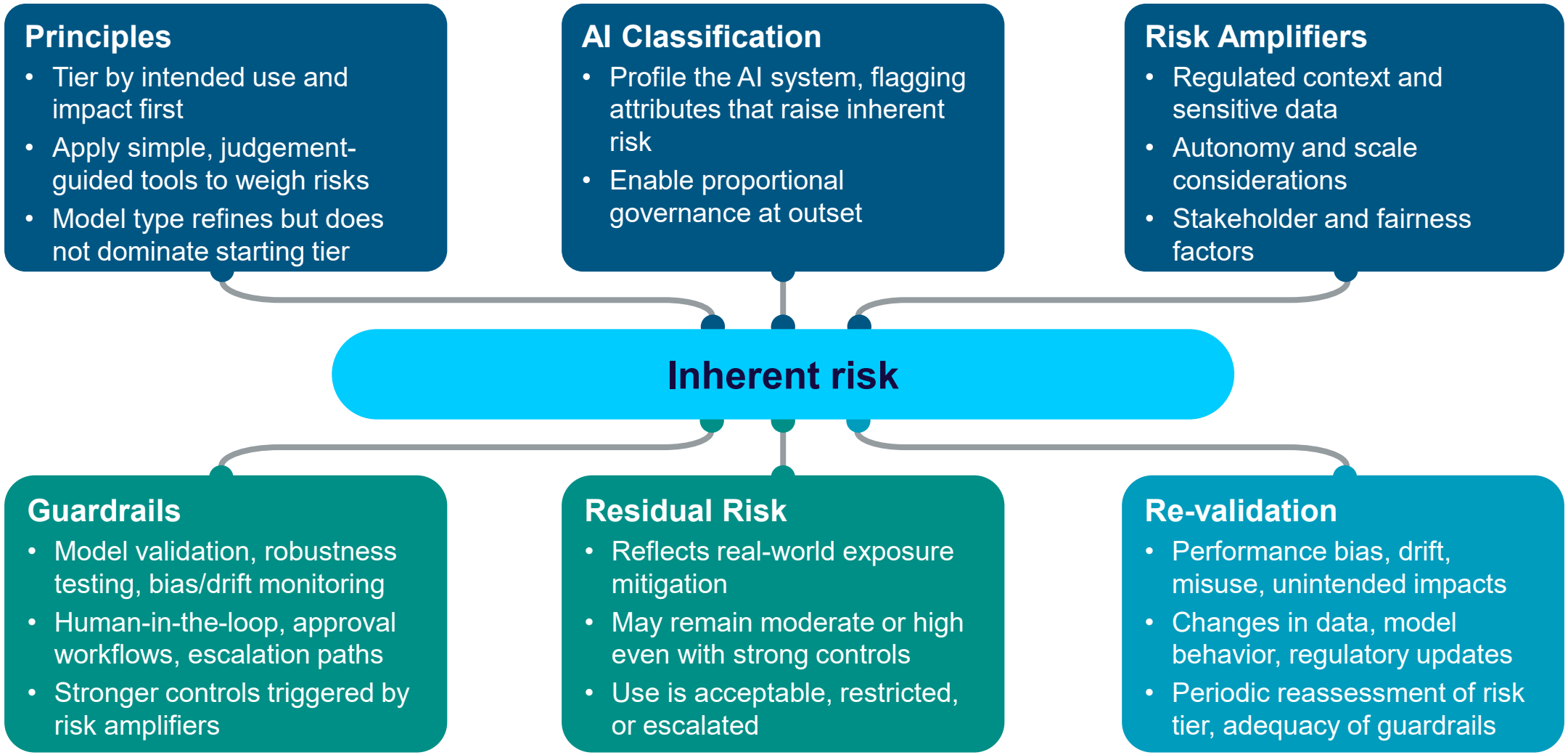
Inherent risk and guiding principles



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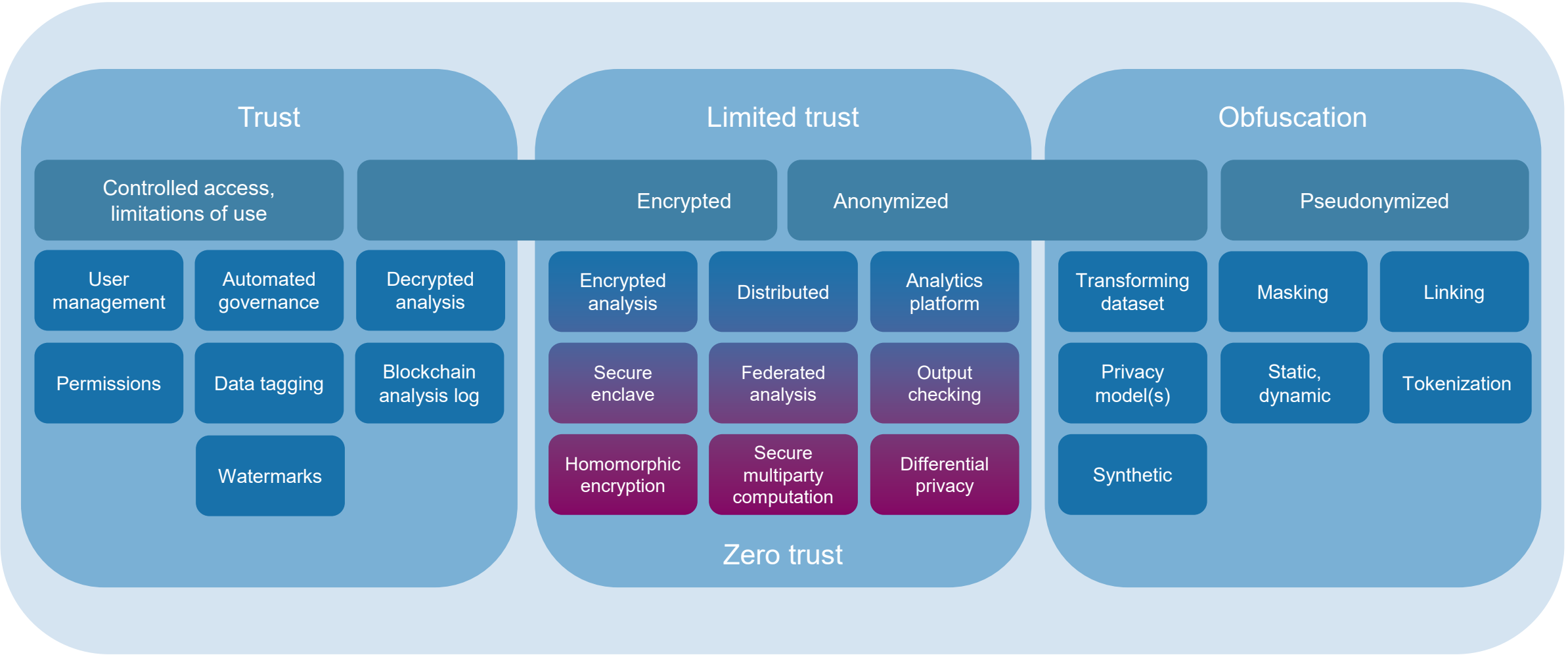
Spectrum of Privacy Enhancing Technologies



Advancing Privacy Enhancing Technologies https://privacy-analytics.com/resources/articles/advancing-privacy-enhancing-technologies/

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There is no risk-free AI, but the right AI is worth reasonable risks

- All technologies, tools, and products carry risks
- Important to assess your risk tolerance – for the business and for the Office of the General Counsel
- Consider establishing a risk-based approach that incorporates the **risk standard of the non-AI alternative**
- Look for opportunities where the benefits to the OGC outweigh the risks (this is a good general principle)
- Don't feel AI FOMO – it doesn't have to be AI to be better
- Look for opportunities to
  - Maximize efficiency
  - Minimize time spent on unrewarding tasks
  - Accelerate growth or control costs
  - Facilitate business intelligence
- Don't make compliance hard – find ways to hardwire **guardrails** *and* create **a post-implementation safety check** system

Focus on what AI is good at – like any tool, AI is good at certain things, and not appropriate for other things

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Thank You!

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