



Power to Ontario. On Demand.

IESO SENIOR MANAGEMENT UPDATE

To: Stakeholder Advisory Committee
Date: October 28, 2009
Subject: **Reliability Assurance - Coal Replacement**

Information Item

Update

In September 2009, Ontario Power Generation (OPG) announced that it will be closing four of its coal generation units – two Lambton and two Nanticoke units – in the fall of 2010. This represents a loss of approximately 2000 MW of generation capacity.

In the most recent Interim Update of the 18-Month Outlook¹ issued earlier this month and in additional studies, the IESO assessed the planned closure of the four coal-fired units, and has determined that overall system reliability will not be adversely affected under current forecast assumptions.

Background

The OPG announcement was made shortly after the IESO published its most recent 18-Month Outlook, covering the period from September 2009 to February 2011. This Outlook highlighted overall system reliability and transmission adequacy, with reserve requirements being met with significant margins throughout the forecast period under normal weather conditions. Assumptions regarding coal-fired CO₂ emissions restrictions were included in this Outlook, but did not specifically include these planned closures.

An Interim Update to the 18-Month Outlook was issued earlier this month to incorporate the planned closures and additional updated data. Covering the same forecast period out to February 2011, the Interim Update shows that capacity reductions resulting from the planned closures will not have a significant impact on system reliability: as much of this capacity was considered unavailable due to modeling assumptions for CO₂ emissions restrictions and local area transmission congestion in the Sarnia/Lambton region are bottling resources in that zone.

¹ http://www.ieso.ca/imoweb/pubs/marketReports/18monthoutlook-iu_20091008.xls



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Beyond the Outlook timeframe, an updated assessment originally conducted in support of the 2009 Comprehensive Review of Resource Adequacy² demonstrates that overall resource adequacy will be maintained with the closure of the four coal units.

Next Steps

The IESO will continue to assess, monitor and report on the reliability impacts of the proposed changes to Ontario's power system. We will maintain our practice of assessing the dependability of new resources over two seasonal peaks before making any judgements on the sustainability of the proposed infrastructure changes. This will be part of a final technical assessment to formally evaluate the removal of the four coal units at Nanticoke and Lambton at the time when OPG applies for deregistration of these units, per the Market Rules.

² Submitted to the Northeast Power Coordinating Council (NPCC) in August 2009 and awaiting publication, the 2009 Comprehensive Review of Resource Adequacy demonstrates Ontario's ability to meet the NPCC resource adequacy criterion over the 2010-2014 timeframe.