



**POWER
WORKERS'
UNION**

February 15, 2021

Independent Electricity System Operator
1600-120 Adelaide Street West
Toronto, ON
M5H 1T1

Via email to engagement@ieso.ca

Re: Long-term RFP Engagement

The Power Workers' Union ("PWU") represents a large portion of the employees working in Ontario's electricity industry. Attached please find a list of PWU employers.

The PWU appreciates the opportunity to provide input on the development of the Long-term RFP procurement mechanism. The PWU is a strong supporter and advocate for the prudent and rational reform of Ontario's electricity sector and recognizes the importance of low-cost, low-carbon energy to the competitiveness of Ontario's economic sectors.

The PWU believes that IESO processes and initiatives should deliver energy at the lowest reasonable cost while stimulating job creation and growing the province's gross domestic product (GDP). We are respectfully submitting our detailed observations and recommendations.

We hope you will find the PWU's comments useful.

Yours very truly,

Jeff Parnell
President

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List of PWU Employers

Alectra Utilities (formerly PowerStream)
Algoma Power
AMEC Nuclear Safety Solutions
Aptum (formerly Cogeco Peer 1)
Atlantic Power Corporation - Calstock Power Plant
Atlantic Power Corporation - Kapuskasing Power Plant
Atlantic Power Corporation - Nipigon Power Plant
Bracebridge Generation
Brighton Beach Power Limited
Brookfield Power Wind Operations
Brookfield Renewable Power - Mississagi Power Trust
Bruce Power Inc.
Canadian Nuclear Laboratories (AECL Chalk River)
Collus Powerstream
Compass Group
Corporation of the County of Brant
Covanta Durham York Renewable Energy Ltd.
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Erth Corporation
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Greenfield South Power Corporation
Grimsby Power Incorporated
Halton Hills Hydro Inc.
Hydro One Inc.
Hydro One CSO (formerly Vertex)
Hydro One Sault Ste. Marie (formerly Great Lakes Power Transmission)
Independent Electricity System Operator
Inergi LP
InnPower (Innisfil Hydro Distribution Systems Limited)
Kinectrics Inc.
Kitchener-Wilmot Hydro Inc.
Lakeland Power Distribution
London Hydro Corporation
Milton Hydro Distribution Inc.
New Horizon System Solutions
Newmarket Tey/Midland Hydro Ltd.
Nuclear Waste Management Organization
Ontario Power Generation Inc.
Orangeville Hydro Limited
Portlands Energy Centre
PUC Services
Quality Tree Service
Rogers Communications (Kincardine Cable TV Ltd.)
Sioux Lookout Hydro Inc.
SouthWestern Energy
Synergy North (formerly Kenora Hydro Electric Corporation Ltd.)
Tillsonburg Hydro Inc.
The Electrical Safety Authority
Toronto Hydro
TransAlta Generation Partnership O.H.S.C.
Westario Power

Power Workers' Union Submission on the IESO's LT RFP

February 15, 2022

The Power Workers' Union (PWU) is pleased to submit comments and make recommendations to the Independent Electricity System Operator (IESO) regarding its Long Term (LT) Request for Proposals (RFP). The PWU remains a strong supporter and advocate for the prudent and rational reform of Ontario's electricity sector and recognizes the importance of planning for low-cost, low-carbon energy solutions to enhance the competitiveness of Ontario's economy.

On February 8th, the IESO presented its preliminary design for its LT RFP and requested feedback from stakeholders. The PWU is supportive of IESO's effort to competitively acquire the resources that Ontario needs to ensure the resource adequacy of Ontario's electricity system. The PWU recognizes that the IESO must prioritize the acquisition of the resources needed in the near term, given the increased demand and resource gaps that the 2021 APO has identified.

However, the PWU does not believe that the approach being taken for the LT RFP will be successful in acquiring the necessary low emitting resources at the lowest cost. Failure could leave Ontarians with insufficient capacity, high cost, and the risk of brownouts. Given the short time that the IESO has provided for feedback, the PWU offers the following succinct observations and advice:

- The PWU suspects that the only new capacity that will be bid into the LT RFP as currently proposed is storage. This is because the IESO is emphasizing the need for assets to be online by 2027, and as early as 2025. These timeline requirements rule out new hydroelectric, nuclear and gas-fired generation and the specified requirements rule out renewables such as wind and solar.
- IESO appears adamant that it should structure the RFP along the lines of capacity contracts and allowing proponents to separately and independently leverage available market mechanisms to supplement their bid. Notwithstanding this apparently explicit approach by the IESO, they have asked for inputs on alternative contract mechanisms such as a Contract for Difference (CfD). Interestingly, a CfD contract approach is not an electricity market mechanism but rather a fixed Power Purchase Agreement (PPA) that has features that would conveniently allow the IESO to balance cost accountings between the global adjustment and the energy market. Such an approach is consistent with prior PWU recommendation to abandon capacity style and energy market mechanisms as they are unsuitable for acquiring low-carbon resources.¹ The PWU supports the IESO in urgently exploring alternatives to capacity style contracts and has offered many alternatives for possible contracting options.²
- Since it is likely that storage may be the only viable option for near term capacity, the PWU recommends that the IESO not structure the RFP as a capacity style contract, but rather as a mechanism most suitable to securing storage resources at the lowest possible cost for rate payers. The timelines for this RFQ/RFP process should be accelerated.

¹ PWU submissions on Incremental Capacity Auction, MRP Business Case, and Resource Adequacy engagements, 2019-2021, available on the PWU website; Strapolec, Electrification Pathways for Ontario to Reduce Emissions, 2021; Strapolec, Electricity Markets in Ontario, 2021.

² *ibid*

- The capacity being sought should be the minimum required to meet the needs in the 2025 to 2027 timeframe. Analyses show that Ontario may only need an additional 1,300 MWs of storage over the next decade.³
- The PWU recommends that this first LT RFP be designed to explicitly rule out new gas-fired generation of any kind. This is appropriate given the uncertainty over whether new gas-fired generation is an acceptable option for Ontarians.
- The PWU strongly recommends that the IESO immediately craft a next step RFP process for resources needed by 2028, when a significant capacity of gas-fired generation comes off contract. This RFP should proceed in parallel and consider the needed longer life of these assets and the development time required to secure them.
- The IESO should consider an extra additional LT RFP, also to be developed in parallel and on the same recommended accelerated timeline, that considers the capacity and energy needs for beyond 2030 as well. The longer-lived low-cost assets will take a decade to develop whether they are hydroelectric, nuclear, gas-fired, or even renewables.
- The IESO should be specific on addressing needs in specific regions, such as within the GTA where the loss of the Pickering Nuclear Generating Station will be most acutely felt.
- With the consideration of the CfD option, the IESO should apprise itself of the challenges faced in the UK with such an approach that stemmed from trying to agree on the sharing of risk. An alternative business model would include hybrid regulated models, also now being considered in the UK.
- Finally, the IESO could save time by issuing the RFQ sooner rather than later and embedding within the RFQ the questions it is addressing in this consultation process. Including the request for feedback within the RFQ would enable the IESO to get more informed capacity and locationally specific considerations from actual proponents, which it can use to design the RFPs. Proponents could even be asked to provide comments and inputs on the notion of the three phased RFP process we have outlined above.

Closing

The PWU has a successful track record working with others in collaborative partnerships. We look forward to continuing to work with the IESO and other energy stakeholders to strengthen and modernize Ontario's electricity system. The PWU is committed to the following principles: Create opportunities for sustainable, high-pay, high-skill jobs; ensure reliable, affordable, environmentally responsible electricity; build economic growth for Ontario's communities; and, promote intelligent reform of Ontario's energy policy.

We believe these recommendations are consistent with, and supportive of Ontario's objectives to supply low-cost and reliable electricity for all Ontarians. The PWU looks forward to discussing these comments in greater detail with the IESO and participating in the ongoing stakeholder engagements.

³ Strapolec, Electrification Pathways for Ontario to Reduce Emissions, 2021.