



**POWER
WORKERS'
UNION**

July 12, 2022

Independent Electricity System Operator
1600-120 Adelaide Street West
Toronto, ON
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Via email to engagement@ieso.ca

Re: 2022 Annual Planning Outlook (APO) Supply Cases

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 2022 APO supply cases. 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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Westario Power

Power Workers' Union Submission on the IESO's 2022 Annual Planning Outlook: Supply Cases

July 12, 2022

The Power Workers' Union (PWU) is pleased to submit comments and make recommendations to the Independent Electricity System Operator (IESO) regarding its 2022 Annual Planning Outlook (APO) Supply Cases. 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 June 21st, the IESO described its approach for defining the supply cases for its upcoming 2022 APO and responded to stakeholder questions. The PWU is supportive of the IESO's effort to forecast system needs and the implications on Ontario's resource adequacy stemming from its supply cases. The IESO proposes to continue to define supply needs for two cases:

- 1) *Maximum procurement potential: This supply case recognizes current* underway supply commitments and undertakings and identifies the remaining resources to be acquired by new supply or renewal contracts /procurements of existing assets that may yet expire; and,
- 2) *Minimum new generation capacity procurement needs:* Identifying the resource needs that exceed the possible available resources should all existing resources be renewed or reprocured.

Stakeholder feedback during the webinar made it clear that the IESO should provide greater clarity describing these cases. The PWU assumes that the IESO will provide such improved clarity in future documentation. Stakeholders also asked about the demand scenarios that the IESO would be using when establishing the supply needs. The IESO responded that it would work with a planning reference that may not necessarily reflect the results from its underway decarbonization study that is expected to be completed close to the release of its 2022 APO.

The PWU is concerned that the IESO's approach to communicating resource needs fails to adequately inform stakeholders and potential developers about Ontario's needs and leaves many evident affordability and reliability risks unmitigated.

The PWU recommends that the IESO should:

- 1) Articulate the resource needs based on demand type – baseload, intermediate and peak/reserve; and,
- 2) Include the supply cases reflecting the demand outcomes from the IESO's decarbonization study.

Recommendation #1 - Articulate the resource needs based on demand type – baseload, intermediate and peak/reserve.

The PWU has frequently advised the IESO to reframe its resource adequacy needs to better reflect the nature of the demand that the resources are required to supply.¹ Analyses have shown that the IESO's fixation on capacity type procurements with investments dependent on energy market revenues fails to

¹ PWU submissions to IESO Resource Adequacy consultations in October 2020, November 2020, February 2021, April 2021, May 2021, June 2021, and November 2021.

meet Ontario’s need to develop the non-emitting supplies.² Those same analyses show that the risks the IESO seeks to mitigate are also better addressed by differentiating between the types of demand that need to be supplied.

The IESO is receiving similar stakeholder feedback from the consultations it has been hosting for its long-term request for proposals (LT RFP). The IESO has moved from offering 3-year contracts to 20+-year contracts. The IESO continues to create revenue arrangements that reflect its desired market structures for generic capacity procurements and receive significant resistance from stakeholders.³ Stakeholder opposition to the IESO’s similar efforts to address the renewal of small hydro projects is also evident.⁴

The IESO acknowledged that its second LT RFP will examine the need to recognize energy value more closely.⁵ In the first LT RFP, the IESO is now indicating that 30% of its capacity needs are only for 4 hours of duration around the peak hours of the year.⁶ This is consistent with the PWU’s definition of peak/reserve demand for which capacity markets are well suited. The IESO has also identified that 45% of its identified capacity needs must supply energy for 8 to 16 hours (this reflects intermediate demand to be supplied). PWU-sponsored analyses show that the most appropriate mechanisms for recognising energy value is to define the demand profile that the desired resources must supply. The procurement mechanism should also achieve the most cost-effective balance of risks to ratepayers and developers.⁷ Developers will better understand system supply needs and then offer innovative solutions that meet them.

While the IESO’s two proposed supply cases are informative, they continue to be insufficient for informing the investment community about the nature of Ontario’s electricity system needs for new or renewed supply. The PWU strongly encourages the IESO to provide clarity to stakeholders about the nature of the anticipated demand and how the committed and other potential existing resources may be deployed to meet it. One glaring area, is the need for the IESO to communicate the intent and suitability of using flexible gas generation to meet the long-term demand not requiring such flexibility e.g., baseload.

Recommendation #2 – Include the supply cases reflecting the demand outcomes from the IESO’s decarbonization study.

While the IESO advanced a high demand case in the 2021 APO, it is not the basis for its planning. The higher electrification demand case reflects a greater need for electricity and increases the capacity gap reflected in its supply cases by 60%.⁸

The PWU previously commented that the IESO’s use of the 2021 APO reference case for 2022 resource acquisition planning defers procurement planning efforts for the higher demand case until 2023. The PWU also recommended that the Ministry-directed study on a gas moratorium and zero emission

² Strategic Policy Economics, “Electricity Markets in Ontario”, 2020.

³ IESO Webinar, “IESO, “LT1 RFP and Additional Mechanisms Engagement”, June 9, 2022.

⁴ IESO Webinar, “Small Hydro Program Design Feedback & Evolved Design”, June 22, 2022.

⁵ IESO, “LT1 RFP and Additional Mechanisms Engagement”, June 9, 2022.

⁶ IESO, “LT1 RFP and Additional Mechanisms Engagement”, June 9, 2022.

⁷ Strategic Policy Economics, “Electrification Pathways for Ontario to Reduce Emissions”, 2021.

⁸ IESO, 2021 Annual Planning Outlook stakeholder session materials, January, 2022.

pathways should inform the 2022 APO.⁹ The remarks made by the IESO at the June 21st webinar suggest that these risks of not adequately preparing Ontario for the larger procurement needs remain significant.

The PWU recommends that the IESO's 2022 APO includes the results of its decarbonization pathways study and provides supply cases that reflect high demand needs. At a minimum, the IESO should provide the supply cases that reflect the 2021 APO high demand case.

Closing

The PWU believes that the IESO should better prepare Ontario to meet its emerging electricity system needs by expeditiously focussing on the nature of demand to be supplied and by recognising the impacts of electrification. 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.

⁹ PWU submission on the IESO's 2021 Annual Planning Outlook, February 2022.