

Feedback Form

Gas Phase-Out Impact Assessment – May 27, 2021

Feedback Provided by:

Name: Margaret Koontz

Title: Manager, Market Affairs

Organization: Atura Power

Email: [REDACTED]

Date: June 17, 2021

To promote transparency, feedback submitted will be posted on the Gas Phase-Out Impact Assessment webpage unless otherwise requested by the sender.

Please provide feedback by June 17, 2021 to engagement@ieso.ca. Please use subject:

Feedback - Gas Phase-Out Impact Assessment

Questions

| Topic | Feedback |
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| <p>Are there additional considerations the IESO has not identified in defining the scope of the assessment to examine the reliability, operability, timing, cost and wholesale market implications of reduced emissions on the electricity system?</p> | <p>Slide 11: Services that Natural Gas Provides Not only is energy production from Gas-Fired Generation (GFG) expected to increase over the long-term, but the Annual Planning Outlook also (APO) anticipates that the reliance on imports will increase as well. Therefore, any scenario as part of this study that includes increased reliance on interties must be incremental to those already assumed in the 2020 APO.</p> |
| | <p>Slide 12: Services that Natural Gas Provides (2) In addition to gas being a reliable provider of operating reserve, natural gas is also the resource that backs up intermittent renewable generation to ensure the system maintains reliability.</p> |
| | <p>Slide 16: Challenges to be Considered if Phasing Out Gas Generation In addition to the listed challenges, the APO contemplates that the system will be ~3000 MW short beginning in 2026 and further increasing that shortage may not be prudent in light of the additional burden this will have on the ratepayer.</p> |
| | <p>Slide 17: Gas Generation – Contract Term We agree that if the IESO assessment is going to consider the complete phase out of natural gas by 2030, the full cost to terminate existing contractual arrangements needs to be fully assessed and included in costing for any alternative being considered. However, to minimize costs of alternative scenarios the IESO should not consider phasing out GFG until the end of their useful life.</p> <p>In November 2019 the IESO received a Ministerial Directive for the review of generation contracts. As a result, the IESO retained Charles River Associates to assess cost reduction options and Atura encourages the IESO to review this document as some of its findings may be relevant in the scenario analysis under this engagement.</p> |

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| | <p>Slide 26: Defining the Three Scenarios (Scenario 1) Scenario 1 contemplates the phase out of GFG by 2030 with a supply mix approach of new resources. How does the IESO propose to define the alternatives to determine this “supply mix” to accomplish the objective under scenario 1?</p> <p>In order to fill the energy supply gap, the study scenarios need to consider the impacts from increased reliance on (i) external resources, including Hydro-Quebec imports and (ii) internal emission free resources, such as a combination of variable generation and storage, which in order to achieve similar attributes of GFG, will likely require renewable generation to be overbuilt at a significant cost to ratepayers. Moreover, as the IESO acknowledges on slide 10, equivalent services of gas generation are either not yet developed or unproven at this scale.</p> <p>Furthermore, with respect to alternatives to replacing gas the IESO needs to be mindful that new resources will be required to meet the identified 3000 MW shortfall and potential incremental shortfalls resulting from the prospect of a high electrification scenario. Both of these issues may impose practical limits on the supply mix the IESO is considering under scenarios 1 and 3.</p> |
| | <p>Slide 26: Defining the Three Scenarios (Scenario 2) As stated on slide 8, Atura agrees that the IESO should not be taking the lead on policy recommendations or decisions; however, scenario 2 potentially sends a conflicting message. Please clarify what market-based mechanisms the IESO is considering that are not public policy to drive higher gas prices thereby creating room for new clean energy project investments.</p> <p>In Ontario market-based mechanisms have proven to not be effective in attracting new capital for energy investments. To that end we continue to support the IESO’s efforts under its resource adequacy stakeholder engagement to procure mid- and long-term projects through procurement mechanisms including contracts.</p> |

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| | <p data-bbox="730 163 1485 205">Slide 26: Defining the Three Scenarios (Scenario 3)</p> <p data-bbox="730 205 1518 441">Does the IESO have a target emission reduction in mind under this scenario or is the IESO contemplating to maintain the baseline emission profile for the electricity sector (as defined on slide 24)? As in scenario 1, how does the IESO propose to define the alternatives to determine the “supply mix” to accomplish this objective?</p> <p data-bbox="730 483 1502 640">To the extent the IESO is looking at alternatives, IESO should consider technologies that reduce emissions at GFG facilities, such as hydrogen blending or carbon capture and storage.</p> |

General Comments/Feedback

Atura anticipates that the cost assessment with respect to the final scenarios the IESO will study will determine that significant expenditures and investments in the sector will be required and Atura would encourage that any investment in Greenhouse Gas (GHG) reductions in the electricity sector be compared to alternative investments in the broader economy having a similar GHG reduction potential.

Leveraging Ontario’s reliable, low-cost electricity is essential to decarbonization, and gas-fired generation will play a key role. GFGs are able to respond relatively quickly to meet demand, providing much needed flexibility to the system and this will be important going forward as more intermittent, cleaner generation is added to Ontario’s supply mix. In this respect Ontario is fortunate compared to many other jurisdictions and rather than narrowly focus our efforts, Ontario should leverage the tools it has in order to more globally drive down emissions.

Atura appreciates the opportunity to comment on this very important issue and looks forward to working with the IESO and other stakeholders on developing a feasible and cost-effective approach to lowering emissions in order to achieve a net-zero emission free future.