

November 21, 2022
Ms. Barbara Ellard
Director, Markets & Procurement
Independent Electricity System Operator

Delivered Electronically

Dear Ms. Ellard:

Capital Power wishes to thank the IESO for its work over the past year to work with stakeholders to develop the draft documents that will form part of the upcoming long term competitive procurement processes. Capital Power has been actively engaged in this process with the IESO and other stakeholders and recognizes the significant advancement made through the IESO's stakeholder engagement activities. Throughout the IESO's process Capital Power has provided comments reflecting its concerns with the E-LT1 contract. Many but not all these concerns have been addressed, and outstanding concerns have not been repeated here. Capital Power understands the IESO's position that material changes to the E-LT1 will not be considered at this time and in response to the IESO's request for incremental general stakeholder feedback on the latest RFP and draft contracts, Capital Power is pleased to provide the following comments

1. Contractual consideration of the Investment Tax Credit for Clean Technologies ("ITC")

The recently announced ITC has the potential to reduce costs of storage development in Ontario. However, it is important to note that there are significant uncertainties associated with the ITC and these uncertainties may not be resolved until sometime after the January 24 submission date, when the federal budget is officially released.

Ideally, the savings derived from the ITC (up to 30% of project costs) could be passed onto Ontario ratepayers through the competitive bidding process. Those proponents able to qualify for the ITC would capture the expected benefit in their project economics and reflect these in a lower bid price. Those proponents unable to qualify for the ITC would need to establish bids and projects that can compete with the lower cost economics of ITC-eligible projects. Taken together, the benefit of the ITC would be transmitted to the ratepayer through the mechanism of competition. To capture the full benefit of this competitive tension, Capital Power considers it optimal that the IESO engage the federal government directly for the purpose of seeking clarity on ITC eligibility in accordance with a timeline that supports the IESO's existing process schedule. This clarity is critical for establishing project economics and the IESO is in the best position to convey the importance of clarity being established to meet IESO timelines.

2. Planned Outage Capacity Reduction Factor ("POCFR") and Monthly Non-Performance Factors

The application of the POCFR in the E-LTI and LT1 should mirror the design adopted by the IESO in the Medium-Term Contract. In the design of the Medium-Term Contract, the IESO recognized that

planned outages may require a duration of at least 10 consecutive business days, and accordingly designed the contract to set POCFR to zero (and thus $AMCC_m$ and $MMOQ_m$ and $MMCF_m$ to zero in the calculations of Monthly Minimum Offer Quantity and Monthly Minimum Capacity Factor) in a Sole Annual Planned Maintenance Month. This design reflects the fact that the reliable operation of natural gas facilities requires outage and maintenance practices consistent with Good Engineering and Operating Practices and may, at times, require outages to be scheduled over 10 or more business days. This design should accordingly be adopted in the E-LTI Contract.

Monthly Non-Performance Factors incentivize outage scheduling in the months of April, May, October, and November. However, Planned Outages are subject to IESO approval, and the IESO regularly communicates to stakeholders through its reliability reports that it may need to refuse outage requests due to resource adequacy concerns. In the event that a generator, acting in accordance with IESO Market Rules, requests permission to take a Planned Outage in April, May, October, or November, is subsequently denied by the IESO and required to schedule its Planned Outage in an alternate month with higher non-performance factors.

3. Definition of Business Day

For greater clarity, the definition of Business Day should be revised to:

“Business Day” means a day, other than a Saturday or Sunday or statutory holiday in effect as at the Contract Date and as recognized by the Province of Ontario.

Please feel free to reach out directly, should you have any questions or wish to discuss these comments further.

Sincerely,



Emma Coyle
Director, Regulatory & Environmental Policy

cc: Rob Wydareny, Director, Business Development