

Feedback Form

Northern Hydro Program (NHP) – July 23, 2024

Feedback Provided by:

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Date: August 22, 2024

To promote transparency, feedback may be submitted on the NHP engagement page unless otherwise requested by the sender. If you wish to provide confidential feedback, please mark "Confidential".

Following the NHP Information Webinar on July 23, 2024, the Independent Electricity System Operator (IESO) is seeking feedback and comments from stakeholders on the items discussed during that session. The webinar presentation and recording can be accessed from the [engagement web page](#).

Please submit feedback to engagement@ieso.ca by August 9, 2024.

NHP Session – July 23, 2024:

Topic	Feedback
Do you have any comments regarding the information presented to commence the engagement and outreach on the Northern Hydro Program?	<p>We appreciate the IESO's outreach and engagement on the Northern Hydro Program and looks forward to bringing this initiative to successful conclusion in the near term, building on the successful development and launch of the Small Hydro Program (SHP). Umbata agrees that the NHP should recognize the:</p> <ul style="list-style-type: none">• Electricity system benefits provided by facilities• Social value provided by facilities• Capital investments needed for maintenance and operation• Delivery of ratepayer value <p>These objectives are the same as that applied to the SHP.</p> <p>Assuming the IESO's intent to incentivize resources to be responsive to electricity system needs through market signals and notes that, while some of the facilities to be re-contracted will have the ability to respond to market signals, As a run of the river facility we will not be able to respond As such, the base for the NHP (i.e. pricing) should be at least equivalent to that applied under the SHP, with additional value (i.e. revenue opportunities) provided for those resources that can be "responsive to electricity system needs".</p>

Specifically, please provide comments on the following design concepts, if any:

NHP Eligibility	We agree with a 20 yr contract but only at the end of our existing contract with minimum impact in transition and no losses We would like to have a minimum price of \$100. Plus 60% CPI
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Topic	Feedback
NHP Design Concepts: a) Contract Payment Model, b) Contract Term, c) Contract Transition and d) Upgrades & Expansions	<p data-bbox="768 170 1466 451"> Contract Payment Model Umbata agrees that there are three (3) options: <ul style="list-style-type: none"> • Traditional Power Purchase Agreement (PPA) (as utilized for the Small Hydro Program (SHP)) • Capacity Contract (as initially developed for the SHP) • Enhanced Power Purchase Agreement (E-PPA) <ul style="list-style-type: none"> • Umbatta would be looking for a minimum of +yr standard PPA which would allow us to ensure our community benefits continue </p> <p data-bbox="768 556 1466 682"> An established base price in the year the program is launched (the base year) and is of the view that the base price should be that in place for the facilities at the time of Program launch. </p> <p data-bbox="768 724 1466 913"> Agree that a portion of the contract price should be escalated each year to incorporate inflation and notes that agreement was reached on this point through the SHP negotiations. These facilities face the same upward inflationary pressure and facilities <10MW in installed capacity. </p> <p data-bbox="768 955 1466 1144"> Contract Term The proposed 20 yr may be sufficient. We suggest that the IESO consider options for longer contractual terms, given the emergent and enduring energy needs of the province and that these are perpetual assets. </p> <p data-bbox="768 1176 1466 1428"> Contract Transition We appreciate the IESO's interest in administrative simplicity but notes that significant effort and legal work has already been invested in the Amendment and Restatement process under the SHP which could be applied to the NHP. "Simplicity" is what we are striving for in order to continue doing business with the IESO </p> <p data-bbox="768 1459 1466 1843"> Upgrades & Expansions We support the Minister's direction that facilities that are interested in upgrading or expanding their facilities be eligible for the LT2 (or future long-term procurements) and if suppliers are unsuccessful in the LT2 (or future procurements), they may still be eligible to upgrade the facility under the NHP. However, as we have consistently recommended, the existing capacity/energy should be contracted through the NHP and <i>incremental</i> capacity/energy be allowed to participate in a Long Term procurement. </p>

Topic	Feedback
NHP Contract Payment Model: Three Options (Traditional PPA, Capacity Contract, Enhanced PPA)	<p>We understand that there are three (3) options:</p> <ul style="list-style-type: none"> • Traditional Power Purchase Agreement (PPA) (as utilized for the Small Hydro Program (SHP)) • Capacity Contract (as initially developed for the SHP) • Enhanced Power Purchase Agreement (E-PPA) <p>We would appreciate the opportunity to have the IESO walk through the latter two (2) options in greater detail so as to allow generators to test the models for individual facilities. However we are leaning towards the traditional PPA with % price indexing similar to the SHP</p>

Other Comments/Feedback:

We appreciate the IESO's work to develop a model that provides revenue certainty for non-flexible run-of-river facilities. However, the E-PPA is an unnecessarily complicated path to arrive at a similar result to a standard \$/MWh PPA and introduces risk to financing assets at affordable rates. The E-PPA was designed for the Long-Term 2 RFP to incentivize newly built resources to generate or curtail in accordance with market signals. Those parameters do not apply to existing run-of-river hydro facilities which cannot hold back water to generate at times of higher demand.

Responding to market signals is only one means to achieve the IESO's and government's objective of an affordable, reliable, and clean electricity system. The NHP contract design must also consider the value of securing perpetual assets for the long-term as a hedge against future potential upward pressure on prices. The current contractual frameworks for waterpower assets were deliberately and specifically designed by the IESO to reflect the values and contributions of these perpetual assets. As with the Small Hydro Program, the focus of the Northern Hydro Program should be on providing value for ratepayers by ensuring a reasonable revenue stream for facilities to continue operating. Devising a complex approach to re-contracting serves neither the ratepayer, the taxpayer, or the facility owners and operators well.

We have run recent data from the Umbata Falls facility through the proposed E-PPA model and found a reduction in expected revenues. Therefore, we recommend that the Northern Hydro Program offer run-of-river facilities the choice between a standard \$/MWh PPA (100.\$ plus indexing) and the E-PPA model to recognize the fundamental differences between these assets and hydro facilities with flexible operation and ensure that the NHP does not extract value from these valuable system assets.

In addition, we recommend that the NHP contract include an Indigenous adder to reflect the sustained socio-economic benefits of Indigenous facility ownership. The Umbata Falls Hydro project is 51% owned by the Biigtigong Nishnaabeg First Nation who initiated and developed the project as a source of stable, long-term own-source revenues. The revenues derived from this project are critical to the community, funding investments in education, health, social initiatives, and infrastructure, as well as providing direct employment and contracting opportunities. An Indigenous adder would recognize the additional socio-economic value of Indigenous facility ownership and the province's commitment to advancing reconciliation. **An Indigenous adder would recognize the additional socio-**

economic value of Indigenous facility ownership and the province's commitment to advancing reconciliation. As this facility is operating in the unceded territory of Biigtigong Nishnaabeg and is subject to provincial taxes, which the First Nation believes should be returned to the nation and not paid to the provincial government. This discussion was put forth to the two previous Energy Ministers, thus a 10% indigenous adder would benefit the First Nations Socio economic stability. Failure to put in an indigenous adder will result in our withholding all provincial taxes on this facility.