

Feedback Form

Northern Hydro Program (NHP) – July 23, 2024

Feedback Provided by:

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Date: August 9, 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
<p>Do you have any comments regarding the information presented to commence the engagement and outreach on the Northern Hydro Program?</p>	<p>The OWA appreciates 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). The OWA 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>The OWA acknowledges 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, others (i.e. run of river) may not. 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:

<p>NHP Eligibility</p>	<p>The OWA agrees with the NHP eligibility criteria but notes that the IESO has proposed a twenty (20) year contract following Program launch (expected in 2025). As such, we encourage the IESO to consider extending the Program Eligibility to facilities with contracts that expire by the end of 2025.</p>
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NHP Design Concepts: a) Contract Payment Model, b) Contract Term, c) Contract Transition and d) Upgrades & Expansions

Contract Payment Model

The OWA agrees that there are three (3) options:

- 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)

The OWA 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.

The OWA agrees with establishing a 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.

The OWA agrees 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.

Contract Term

The OWA agrees with the proposal that Contracts extend for a period from the launch of the program and recommends that twenty (20) years be considered a minimum. 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.

Contract Transition

The OWA appreciates 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" will have to work both for the IESO and the asset owners, particularly with respect to Lender requirements. The OWA looks forward to working with the IESO to resolve this matter to mutual satisfaction.

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

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	<p>procurements), they may still be eligible to upgrade the facility under the NHP.</p> <p>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>
<p>NHP Contract Payment Model: Three Options (Traditional PPA, Capacity Contract, Enhanced PPA)</p>	<p>The OWA agrees 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>The OWA 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.</p>

Other Comments/Feedback:

I would like to emphasize that we do not view this as an exercise to extract value from these facilities.

Our collective investment of time and effort over a period of more than two years in the SHP has been acknowledged to serve as a foundation for the NHP. From the industry’s perspective, in addition to the proposed features presented by the IESO and discussed above, key design elements from the SHP that should be included in the NHP include:

- Retention of current contract terms and conditions until natural expiry, including those for expansions and upgrades that have already taken place;
- Defined contractual mechanisms that provide protection against negative pricing;
- Open Program accepting applications at any time after launch;
- Inclusion of OEFC contracts to be migrated to IESO and
- Generator retention of Investment Tax Credits.

Thank you again for the opportunity to comment.