



October 20, 2020

IESO Stakeholder Engagement
Resource Adequacy Engagement

Submitted via email

Re: AMPCO Submission - Resource Adequacy Engagement

AMPCO is the voice of industrial power users in Ontario. Our mission is industrial electricity rates that are competitive and fair.

Attached are AMPCO's comments on the materials presented by the IESO on September 28, 2020 on the subject of Resource Adequacy. AMPCO appreciates the opportunity to provide such feedback.

Best Regards,

[Original signed by]

Colin Anderson
President

Resource Adequacy Engagement

Submissions of the Association of Major Power Consumers in Ontario (AMPCO)

INTRODUCTION

AMPCO provides Ontario industries with effective advocacy on critical electricity policies, timely market analysis and expertise on regulatory matters that affect their bottom line. We are the forum of choice for major power consumers who recognize that their business success depends on an affordable and reliable electricity system.

These submissions are in relation to the materials presented by the IESO on September 28, 2020 on the subject of Resource Adequacy. AMPCO's members are major power consumers, responsible for over 15 TWh of annual load in the province. A robust and affordable energy supply is critical to the success of their businesses, which is why AMPCO has an interest in this engagement.

AMPCO appreciates the opportunity to provide feedback.

AMPCO GENERAL POSITION

On May 23, 2019, AMPCO submitted comments to the IESO on the Incremental Capacity Auction (ICA) high level design document. The following excerpt appeared in those comments:

In AMPCO's view, an approach that contemplates both auction and contract may be better than either approach exclusively.

AMPCO supports the fact that this is now the general approach that is being proposed. It is always of benefit to have more tools in the toolbox, not less.

Having said that, implementing such a system will face numerous challenges. Most of those challenges will be more easily overcome if the IESO maintains a high level of optionality in its overall resource adequacy approach.

ADDITIONAL COMMENTS

1. High Level Framework and the Need for Cost Minimization

The IESO's stated "high level framework" on slides 19 and 20 is driven exclusively by procurement "timeframe" (short-term, mid-term and long-term). While AMPCO understands that this approach dovetails with a number of pre-existing processes at the IESO (Planning Outlooks, Reliability Assessments, etc.), it may not pay sufficient attention to the first objective set out on slide 13 - ensuring cost-effective reliability. Slide 7 indicates that capacity will be secured in a way that balances cost and risk, but provides no detail as to how that balance has been evaluated or will be achieved in the various timeframes. AMPCO would like some additional information in this area to ensure that the appropriate amount of rigour has been (and will continue to be) exercised.

2. Participants in Each Timeframe

Slides 19 and 20 specify the resource types that are to be considered in each of the timeframes. In the spirit of increasing optionality, AMPCO questions why this level of specificity is necessary at this time. If the IESO adequately specifies a capacity amount required in a given timeframe, it should be up to the proponent to propose resource types that can satisfy that requirement. This need not be specified in an exclusive fashion by the IESO up front.

For example, Demand Response appears only in the short-term timeframe. AMPCO does not understand why such a resource would not be considered in the mid-term timeframe as well. It may well be that Demand Response better satisfies the cost/risk

balance in this timeframe than material re-investments in existing generation facilities or new build. If such arbitrary exclusions are put in place at this initial development phase, we will never know. AMPCO strongly suggests that such exclusions be eliminated.

3. The Need for an Integrated Approach

At slide 33, the IESO asks generally “What else needs to be considered?” As AMPCO indicated in its comments related to the ICA, it is always better to have more options than less options. Along this same line, AMPCO feels that we need to pay additional attention to the integration of other considerations and potential solutions in the resource adequacy engagement.

For example, beyond the general point raised on slide 9, AMPCO doesn’t see an explicit statement integrating transmission planning within resource adequacy. There may be situations where the optimal solution to a resource adequacy problem is not additional generation, but rather, is a transmission based approach. There may also be other solutions worth considering as well that minimize costs to the system.

An integrated approach does not just refer to potential solutions. It can also refer to a harmonization of processes amongst different entities. The IESO should also ensure that its processes used for resource adequacy are compatible with related activities or processes at the Ontario Energy Board (OEB).

Notwithstanding the need for integration, we must at the same time be careful not to use resource adequacy as a solution to other, potentially unrelated, issues. On slide 20 the phrase “Consideration to acquire attributes beyond capacity” appears within the long-term timeframe discussion. Care must be taken to not expand the scope of resource adequacy activities to solve other problems such as carbon or emerging areas such as a hydrogen economy.

4. The Appropriate Approach to Policy Decisions

Slide 15 states “Investment in large strategic assets may continue to be driven by Government Policy”. While AMPCO does not dispute this fact, it feels strongly that certain costs associated with such policy decisions may not be appropriate for inclusion in electricity rate base. Policy decisions, made by the Government of the day, typically serve multiple objectives - one of which may have to do with resource adequacy. However, this does not mean that the Ontario electricity ratepayer should be the sole source of funding for such policy decisions. Oftentimes, those decisions serve other social objectives and would more correctly be funded from Ontario tax base, not Ontario rate base.

As one of the executors of Government policy, the IESO must be cognizant of this and must guard against constructing a set of circumstances, such as occurred pursuant to the *Green Energy Act*, where the Ontario ratepayer was the unfortunate recipient of massive charges that were incurred to effect policy changes that transcended simple resource adequacy. Billions of dollars were spent pursuing a policy of expensive renewable energy in the hopes that such expenditures would create benefits in multiple areas beyond energy (healthcare, environment, economic development, etc.), all funded by the Ontario electricity ratepayer. We simply cannot afford to ever repeat that same mistake again.

5. Reliability Must Run Contracts

AMPCO requests additional clarity on slide 32, in regards to the role of Reliability Must Run Contracts (RMRs). AMPCO understands that RMRs are currently used in situations where local reliability issues are being experienced, but they are not currently used for purposes of general adequacy. Is there consideration of changing this?