

# Feedback Form

## Resource Adequacy Engagement webinar – November 18, 2020

### Feedback Provided by:

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Following the November 18, 2020 Resource Adequacy engagement webinar, the Independent Electricity System Operator (IESO) is seeking feedback from stakeholders on the following items discussed during the webinar. Background information related to these feedback requests can be found in the presentation, which can be accessed from the [engagement web page](#).

**Please submit feedback to [engagement@ieso.ca](mailto:engagement@ieso.ca) by December 9, 2020.** If you wish to provide confidential feedback, please submit as a separate document, marked "Confidential". Otherwise, to promote transparency, feedback that is not marked "Confidential" will be posted on the engagement webpage.

## Feedback on Key Resource Adequacy Discussion Areas

Topic	Feedback
<p>Will the key discussion areas proposed cover the major areas that need to be discussed with stakeholders to develop and operationalize the framework? Are there any major areas missing?</p>	<p>Overall, APPrO supports the IESO’s proposed Resource Adequacy Framework (the “RA Framework”) for which the IESO intends seek approval from its Board of Directors in December.</p> <p>Generally, the discussion areas proposed for further discussion in 2021 by the IESO are on-point.</p>

Topic	Feedback
<p>Are there key discussion areas that should be prioritized or discussed before others?</p>	<ol style="list-style-type: none"> <li data-bbox="716 646 1529 1163">1. There are important connections between many aspects of RA, public policy and Market Renewal which must be considered carefully, so it will be difficult to prioritize or rank some components (other than CA work and processes to bridge assets needed in 2028, but have contracts expiring prior to the implementation of the new RA mechanisms). A number of issues may have to be dealt with more or less concurrently. A roadmap of all components and relationship connections would be useful. This should also include transmission upgrades, e.g., FETT along with others, as well as the impact on local capacity needs.</li> <li data-bbox="716 1205 1529 1360">2. Existing assets under contract will be required well into the 2030s and maybe beyond. Suppliers of existing assets will need to find a commercial underpinning post-contract.</li> <li data-bbox="716 1423 1529 1579">3. Therefore, further early work is required to determine how to bridge those assets that will be needed post 2028, but have contracts expiring prior to the implementation of the new RA mechanisms.</li> <li data-bbox="716 1621 1529 1850">4. Work on the scope and structure of bridging procurement mechanisms and contractual design must be an early consideration for 2021 so that owners can have a timely view of the future for their assets. Capacity auctions – at least on a yearly basis - are not an appropriate bridging mechanism.</li> </ol>

## General Comments/Feedback

1. Overall, APPrO supports the IESO's proposed Resource Adequacy Framework (the "RA Framework") which the IESO intends seek approval for from its Board of Directors in December.
2. Generally, the discussion areas proposed for further discussion in 2021 by the IESO appear to be on-point.
3. We reiterate our previously submitted comments:
  - a. Allocation of risk as it relates to either a shift in demand or technological improvements should not be borne by investors as this will only increase costs.
  - b. RA should be based on system needs, not asset types.
  - c. One of the main inputs into Resource Adequacy is the quantity of capacity needed (which is of significant impact to all members of APPrO, whether as developers or owners of existing assets that will eventually need to find a commercial underpinning post-contract). Transparency and good planning are critical to the success of any RA procurement process and/or mechanism(s).
  - d. Contracts remain an important procurement tool for RA. More work will be needed to consider and define the specifics of each mechanism.
    - i. In particular, further early work is required to determine how to bridge those assets that will be needed post 2028 and beyond, but have contracts expiring prior to the implementation of the new RA mechanisms.
    - ii. Work on the scope and structure of bridging procurement mechanisms and contractual design must be an early consideration for 2021 so that owners can have a timely view of the future for their assets.
    - iii. Capacity auctions are not an appropriate bridging mechanism.
4. A number of other issues also impact Resource Adequacy:
  - a. Linkages between many aspects of RA, public policy and Market Renewal must be considered carefully, so it will be difficult to prioritize (other than CA work and processes to bridge assets needed in 2028, but have contracts expiring prior to the implementation of the new RA mechanisms).
    - i. Direct procurements outside of Resource Adequacy mechanisms (e.g., the recent Manitoba Hydro RMR contract and the Lennox renewal) should be minimized where robust competitive alternatives are possible. Where competition is not deemed possible, such a decision should be substantiated through public disclosure and scrutiny of the analysis, to ensure the right balance between administrative simplicity and cost-effectiveness, and that

these procurements were the best possible solution for customers (recognizing Ontario's specific electricity market characteristics).

- ii. Both the process for reviewing large unsolicited proposals, the projects under review and the outcomes of such processes, should be undertaken in a fully transparent and open manner, such that stakeholders can be assured that any such projects bring ratepayer benefits and are in the public interest
  - iii. Similarly, a high level of transparency in the Reliability Standards modernization engagement is necessary as including non-firm imports over the AC interties will also change the quantum of RA capacity required and also make it more difficult to schedule outages, in particular if using extreme weather forecasting. Stakeholders should be confident that non-firm imports are being counted as capacity for an amount that is reasonable and which corresponds with a true ability to provide reliability. Including non-firm imports will change the quantum of RA required. The point is, that the value of any initiative the IESO uses to decrease the amount of capacity directly procured from generation facilities in Ontario (non-firm imports, ICI, EE etc.) needs to be evaluated in the context of total system costs – reducing outages may increase the forced outage rate and result in other reliability concerns.
  - iv. The Industrial Conservation Initiative is another matter that impacts planning capacity requirements, and so ICI (and ICI reform) is an item that the IESO should be clear about in RA discussions. Additionally, energy efficiency programs effect a similar outcome and the IESO identified this as part of the RA presentation. How will the March auction fit into this assumption – the IESO is using 1000 MW in the APO but the auction is for under 20 MW. These factor into capacity targets. Some form review or stakeholder engagement on the appropriateness of these targets seems appropriate.
- b. APPrO continues to advocate for improvements across the board on governance and decision making where practicable. These are required in order to maintain and improve market participant confidence in IESO decision making
- i. For example, dispute resolution processes will require further consideration and the IESO should commit to improving the extent to which materials used to support IESO staff and Board decisions and submissions on MRs and MRAs are made public (there should be few if any restrictions), as well as more use of cost-benefit analysis for significant decisions.