



Leonard Kula
Vice President,
Planning, Acquisition and Operations, and Chief Operating Officer
Independent Electricity System Operator
1600-120 Adelaide Street West
Toronto, ON M5H 1T1

December 9, 2020

Dear Leonard,

This Enbridge Inc. submission responds to the Independent Electricity System Operator (IESO) November 28, 2020 presentation, *Resource Adequacy Stakeholder Engagement*¹ that proposed a high-level Resource Adequacy Framework (the “Framework”) within the IESO-Administered Markets (IAMs).

We appreciate the opportunity to provide comments on the proposed Framework. We look forward to continuing to engage directly, and via industry associations and consortiums, in the coming months.

Enbridge supports the December 8, 2020 comments submitted by Power Advisory on behalf of a consortium of renewable energy generators, energy storage providers, and industry associations (the “Consortium”). We will not reiterate the comments included in the Consortium’s submission. However, as one of the largest renewable energy producers in Canada, with ownership interests in nearly 500 MW of renewable generation and a 450 MW transmission line (under construction) in Ontario, Enbridge is submitting these brief comments on a key topic under the proposed Framework.

Long-Term Contracts

Enbridge appreciates that IESO has recognized Capacity Auctions are well-suited to meeting short-term, seasonal commitments and that contracts will be needed to meet ongoing longer-term resource adequacy requirements. We support IESO’s intended use of Capacity Auctions to meet seasonal needs.

We agree with the Consortium’s comment that IESO should use a combination of Capacity Auctions and Requests for Proposals (RFPs)/Contracts to meet mid-term resource adequacy needs (i.e., up to 3-4 years), rather than considering the two mechanisms as mutually exclusive. Employing both options will

¹ See <http://www.ieso.ca/en/Sector-Participants/Engagement-Initiatives/Engagements/Resource-Adequacy-Engagement>



allow market participants and prospective developers to engage in the way that makes most sense for their businesses, which will help IESO secure the most reliable supply at the best prices.

Along these lines of maximizing flexibility for market participants and prospective developers, Enbridge submits that IESO should allow room for existing resources and market participants to participate in the long-term RFP/contract procurement processes. We appreciate that IESO recognizes the benefits of long-term contracts in providing certainty, which helps to lower the cost of capital and, therefore, contract prices, while also attracting the necessary investment to build and maintain long-term resource adequacy capacity. IESO will maximize these benefits when existing assets are able to participate in these processes.

For example, existing wind projects have an established footprint, transmission infrastructure, and, often, community acceptance. When a project reaches its end-of-life, it may be possible to repower the asset by replacing only the nacelle, hub, and/or blades, while leaving much of the infrastructure in place. This repowering would limit the impact on the community and the cost of replacing existing capacity. At the same time, while repowering costs would be lower than those of a new build, they would not be entirely inconsistent and would require the same certainty provided in long-term contracts to secure the necessary investment at a reasonable cost. Some existing assets may prefer to participate in Capacity Auctions as they near the end of their operational life, but some may be interested in repowering under a long-term contract: IESO is best served when both options are available to market participants.

It may be that IESO is already planning to accommodate repowering projects under the definition of “new resources” as part of the long-term RFP/contract resource adequacy mechanism. The details of this definition and its inclusion will be critical to ensuring IESO benefits from the intended flexibility. There may also be additional circumstances where it makes sense for existing assets to participate in RFP/contract mechanisms as contracts expire. We agree with the Consortium’s request that the scope, structure, design, and definitions of RFPs/contracts as resource adequacy mechanisms should be decided upon through stakeholder engagement meetings in 2021.

We look forward to ongoing participation in the resource adequacy process and IESO’s upcoming stakeholder engagement. Please contact the undersigned to discuss the contents of this submission.

Sincerely,

Lenin Vadlamudi
Director, Power Operations, Canada