

Feedback Form

Resource Adequacy webinar – March 22, 2021

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Following the March 22, 2021 Resource Adequacy engagement webinar, the Independent Electricity System Operator (IESO) is welcoming feedback from stakeholders on the items discussed during the webinar. The webinar presentation and recording can be accessed from the [engagement web page](#).

Please submit feedback to engagement@ieso.ca by April 14, 2021. 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.

General Comments/Feedback

Capital Power appreciates the opportunity to again provide comments with respect to the IESO's plans for its Resource Adequacy Framework ("RA Framework"). Previous submissions have noted areas of support and concern for the RA Framework, and views included in previous submissions remain relevant today. Building on these previous comments and in response to materials presented in March, Capital Power would like to reiterate and expand on the following points for the IESO's consideration.

1. Capital Power believes that the IESO needs to develop and/or make public its analytical framework for assessing costs and benefits to the ratepayer arising from various resource procurement models and revenue mechanisms.

It is understood that the IESO would like to avoid long-term commitments where possible to preserve the flexibility required to respond to evolving system needs. However, costs are not necessarily minimized simply through a shortening of the commitment duration or lowering of price per MWh paid. Where the insufficiency of revenue mechanisms leads to the early market exit of assets not yet at the end of their useful economic life, the cost of the alternative is borne by the ratepayer. It would be helpful for the IESO to provide detail to stakeholders regarding how it assesses costs and risks to the ratepayer arising from decisions related to revenue mechanisms. Low prices in the capacity auction can mask underlying market failures where capacity prices are insufficient to support reinvestment in low-cost, critical assets. Where low prices drive the market exit of critical assets, the cost of new replacement assets should be considered as part of the overall cost of procurement through the capacity auction.

2. A critical pre-condition for effective competition is the communication of system needs, and the administration of competitive processes, in accordance with a timeline that can attract competitive investment.

It is critical that system needs be communicated, and competitive processes be administered, with sufficient lead time for investors to prepare competitive bids. The delay of competitive processes can result in harm to the conditions necessary to support competition, particularly if the delay results in precluding the participation of competitors who, due to uncertainty and insufficient timelines for the preparation of competitive bids, have allocated capital elsewhere. Late communication of system needs and protracted timelines for competitive processes can effectively force non-competitive procurement decisions for needed resources. Capital Power would like to better understand the confidence intervals the IESO has applied to its various scenario assumptions and understand how the timelines for procurement will support the conditions necessary for competition.

3. It is not clear how competing revenue mechanisms (i.e. Capacity Auctions vs. RFPs) lead to efficient economic outcomes where participants have insufficient information to assess risk and opportunity cost associated with participation in one competition over the other. Eligibility rules need to support robust competition to drive efficient outcomes.

Further to comments previously submitted, Capital Power has concerns regarding reliance on the Capacity Auction as a mechanism for procuring capacity for Ontario. With consideration to points mentioned above regarding the need to understand how the IESO assesses savings, costs and risks to the ratepayer arising from their choice of revenue mechanisms, Capital Power recommends the IESO prioritize the work of communicating its analytical framework prior to further expanding the Capacity Auction.