

Feedback Form

Resource Adequacy webinar – March 22, 2021

Feedback Provided by:

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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

Thank you for the presentation on resource adequacy and for the update on the proposed future evolution of the capacity auction. As the owners of Kingston Cogen, the first large generating facility to clear the auction, we felt it was important to clarify certain points made in the presentation about the auction's design features and suitability for generating facilities. We also want to highlight the challenges off-contract generating facilities will continue to face during the interim or transition period between now and 2026 unless changes are made to address revenue sufficiency and related risks.

Northland Power has been working closely with the IESO over the last few years to improve the auction's design features to make it better suited for generation assets. Ontario will need a number of generating facilities, like Kingston Cogen, to remain operational in the near term as Ontario enters a period of tighter supply/demand balance, with limited tools available to induce new investment. The IESO claims that the capacity auction is its primary vehicle to do this, and in the presentation it seemed to interpret the results of the last auction as evidence of success of this approach. We would caution the IESO against drawing such conclusions, and reiterate that for Northland Power, the results indicated the opposite result.

To be clear on this point: it is Northland Power's position that the auction as currently designed remains insufficient to sustain the operation of generation facilities. Further, while the IESO continues to signal its willingness to further improve the auction's design features in upcoming auctions, these changes are still too uncertain, and the auction process still too unpredictable, for companies to continue to maintain assets in the market based on this process alone.

Further to comments previously made in this engagement, without a mechanism to secure multi-year commitments, for both the summer and winter seasons generating facilities can neither recover annual operating costs nor plan for capital investments required to keep facilities viable into the medium to long term. The unpredictability of capacity targets and the downward pressure on pricing as a result, leads to unsustainable revenues for generators like Kingston Cogen.. It is untenable for generators to continue to operate in this market without an opportunity to derisk their operations. Ignoring these challenges will result in generators exiting this market and exacerbate the capacity shortfall in the medium to long-term.

In its presentation, the IESO signaled an upcoming Request for Proposals (RFP) process that would offer multi-year commitment periods for existing assets starting in 2026. A welcome development, this approach would offer sufficient market signals to enable normal business planning for these type of generation facilities. The challenge the IESO then needs to resolve is how generation assets ensure that they can remain viable between now and the 2026 commitment period. The capacity auction alone will not resolve this challenge. If the IESO wants to ensure competition in the medium-term RFP it needs to resolve the interim issues facing off-contract generators immediately.