

Market Surveillance Panel
Comments on the Lake Erie Connector Project
January 24, 2022

The IESO has been assessing several unsolicited proposal projects at the request of the Ministry of Energy. The MSP has documented, previously, its concern regarding the potential negative impact on the electricity markets from the non-competitive approach the IESO is taking for these projects, and the lack of information to support this approach.

On May 13, 2021 the Ministry of Energy, Northern Development and Mines (ENDM, or the Ministry) issued a letter to the IESO asking it to enter into contract negotiations for the Lake Erie Connector project.¹ The Lake Erie Connector project was assessed by the IESO on behalf of the Ministry as an “unsolicited proposal.” According to the Ontario Government’s website, unsolicited proposals “must demonstrate a clear value or benefit for the people of Ontario” such as “addressing capacity needs in the energy sector.”²

In July 2021, the IESO published its Annual Acquisition Report. The report did not mention any system benefits for the Lake Erie Connector but did reference the types of benefits for other unsolicited proposals and bilateral contract procurements.³

In September 2021, the Market Surveillance Panel published its Monitoring Report 35.⁴ This report highlighted concerns with the IESO’s approach to non-competitive procurements – including unsolicited proposals – and recommended additional information be made public relating to the system need that the project addresses and the costs and benefits of the project. The IESO should aim to address system needs in a cost-effective way. Competitive processes can achieve such outcomes. Where unsolicited proposal projects have been allowed to bypass competitive processes, the Panel expects the IESO to conduct appropriate due diligence to ensure that the project achieves “clear value or benefit for the people of Ontario.” Furthermore, the Panel strongly recommends the IESO make public the analysis it conducted to support its recommendation to proceed with the project to ensure informed public scrutiny of its recommendation.

In December 2021, the IESO published its Annual Planning Outlook (APO), noting the advancement of the Lake Erie Connector project. The APO does not mention the system need that the Lake Erie Connector project will address nor does it provide an assessment of the benefits and costs of the project.

¹ See the letter from the Minister of Energy, Northern Development and Mines to the IESO, dated May 13, 2021: <https://www.ieso.ca/-/media/Files/IESO/Document-Library/corporate/ministerial-directives/MC-994-2021-352.ashx>

² See the Ontario Government’s webpage “Unsolicited proposals submission and assessment guidelines” published September 12, 2019: <https://www.ontario.ca/page/unsolicited-proposals-submission-and-assessment-guidelines>

³ See the IESO’s Annual Acquisition Report, published July 2021: <https://www.ieso.ca/-/media/Files/IESO/Document-Library/planning-forecasts/aar/Annual-Acquisition-Report-2021.ashx>

⁴ See the Panel’s Monitoring Report 35, published September 2021: <https://www.oeb.ca/sites/default/files/msp-monitoring-report-202108.pdf>

The Panel believes that the system needs assessments and benefit/cost analysis that the IESO relies on in support of non-competitive procurements like the Lake Erie Connector project should be made public. If the IESO proceeds with the Lake Erie Connector project it will commit the province, particularly electricity consumers, to cover the substantial costs of the project for some time to come. Commitments of this magnitude require a higher level of public transparency and accountability than the IESO has provided to date. Failure to allow informed public scrutiny erodes the public trust in the province's management of the electricity sector.

For these reasons, the Panel, again, strongly recommends that the IESO provide the public with more detailed information of the system needs assessment and the benefit/cost analysis it conducted for the Lake Erie Connector project and for other unsolicited, and/or non-competitive procurement projects that it has planned.