

Feedback Form

Small Hydro Program Workshop, May 19, 2022

Feedback Provided by:

Name: Bryan Ingram

Title: Operations Manager

Organization: Bracebridge Generation Ltd.

Email: [REDACTED]

Date: June 2, 2022

To promote transparency, feedback submitted will be posted on the IESO webpage unless otherwise requested by the sender.

Following the (Thursday, May 19, 2022) Small Hydro Program Design Outreach Session, the Independent Electricity System Operator (IESO) is seeking feedback from stakeholders on the following discussed items. 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 by Thursday, June 2nd. To promote transparency, feedback provided will be posted on the engagement webpage.

Small Hydro Program – Capacity Payments

	Topic	Feedback
1.1	What feedback do you have on the payment structure as it relates to a capacity payment plus an energy payment with a floor and a ceiling?	The payment structure is much more complex and will take additional effort for settlement. Further I don't fully understand the rationale for implementing a payment for capacity (kW) when the actual need is capacity (kW) * time (hrs) being kilowatt hours (kWh). Additionally, based on the program components I don't envision any change to our operating strategy due to our run of river operations we essentially run what we have.
1.2	What feedback do you have on the assumptions for the reference case used in developing the payment structure? Specifically, what feedback do you have on the reference case regarding: an appropriate split between the capacity payment revenue versus the energy payment revenue; the assumed capacity factor; the energy floor price?	The reference case utilizes 40% as the Reference Capacity Factor. We were informed by the IESO that the average Capacity Factor was ~45%. Bracebridge Generation's average capacity factor is 52% however our weighted average capacity factor is 57%. Utilizing a program based Reference Capacity Factor instead of a facility based Reference Capacity Factor puts one facility in a favorable position over another. The energy floor and ceiling price concept provides a reduction in risk.
1.3	What feedback do you have regarding setting the fleet wide capacity factor benchmark at 40%? (Below this capacity factor, capacity payments will be reduced)	The Reference Capacity Factor of 40% is well below our weighted average capacity factor of 57%. This puts the majority of our capacity in a position of loss or highly affected by energy price and in a position of financial risk instead of certainty. The CPS Capacity Factor Shortfall calculation has not been provided to evaluate the impact of having a capacity factor below 40%, therefore the impact hasn't been quantifiable. Discussions around seasonal benchmarks may also not align evenly across the province. North vs south will see a variance in timing. Facilities on the Trent Severn have conditions that are manipulated from facilities on other watersheds that are influenced by weather. Our Trent Severn located facility produces with a high capacity factor in July-September where our facilities located elsewhere are at their lowest capacity factor for the year.

	Topic	Feedback
1.4	What feedback do you have regarding the energy ceiling concept and price?	The ceiling and floor concept provide certainty and reduces risk.
1.5	What feedback do you have regarding an appropriate percentage of the capacity factor for which an escalation factor (Ontario all-items CPI) should apply? What is the justification for the percentage you are recommending?	100% indexed to the Consumer Price Index for both the capacity payment and the energy payment.

Small Hydro Program – Dispatchability

	Topic	Feedback
2.1	What feedback do you have on the approach to enhance payment for dispatchable facilities (increase capacity payment by X%, increase	Most of our facilities are run of the river but some are capable of providing on peak / off peak benefits. I don't see our facilities fitting into a dispatchable program but if there is an incentive to produce on peak it's possible that we can adapt operations to meet on peak capacity needs.

	Topic	Feedback
	ceiling price or revenue share above ceiling price)? In your response, please note if you are a dispatchable facility / intent to become one as this design feature may only impact a very small portion of facilities.	

Small Hydro Program – Tranching

	Topic	Feedback
3.1	What feedback do you have regarding the recognition of economies of scale by providing an adjustment to the capacity payment of facilities under 1MW? What feedback do you have regarding an appropriate adder (in terms of a % of the capacity payment)?	We support the <1MW adder as these facilities can be financially burdened. We would recommend a 10% adder sliding scale to the total revenue to support the O&M and sustaining capital investment required on smaller facilities.

Small Hydro Program – Contract Length

	Topic	Feedback
4.1	What feedback do you have regarding the option to terminate existing contracts and sign into the program at any time, with all contracts ending 20 years from program opening (ie. May 2043), regardless of when a contract is signed?	We see this option as a preferred methodology for 2 of our facilities. 4 of our other facilities have undergone significant investment and expansions and we require the full term of the existing contracts. We require both the existing contract rate and term, as well as the financial security of securing the next contract. This supports the current investment and future security for the facilities.

Small Hydro Program – Community, Conservation Authority & Indigenous Ownership

	Topic	Feedback
5.1	What feedback do you have on a minimum Indigenous, Conservation Authority or Community ownership stake to qualify for an enhanced payment?	BGL supports the enhanced payment however recommends the program consider a higher value of 10% of total revenue. Our operations provide community benefits that extend well beyond the production of electricity including public safety, recreation, tourism and environmental benefits. We own and operate 11 dams that aren't directly associated with a hydroelectric facility. These structures have no source of revenue to offset costs to operate and maintain them. They were originally built or utilized as reservoirs to increase capacity, energy and reliability however water management planning to benefit recreation, tourism and environmental benefits has eliminated storage capabilities. This puts these assets in a position of financial liability. The alternative is to transition these assets to the crown.
5.2	What feedback do you have on the maximum value of an	10% sliding scale

Topic	Feedback
adder (in the case of 100% ownership by an Indigenous Community, Community or Conservation Authority)?	

General Comments/Feedback

Topic	Feedback
6.1 Please provide any additional comments or feedback that would assist in the design, development and implementation of a Small Hydro Program	The provided information has not provided any method or definition of Contract Capacity. The contract should perhaps adopt existing contract values for Contract Capacity but also have an avenue to establish the Contract Capacity. We have one facility that is operating at a lower output due to it's current Contract Capacity however when it transitions to the new contract we would like to return to it's capable capacity. We have perhaps a unique situation at one of our facilities where one unit is on an HCI contract and the second unit is a RESOP contract. We believe we would like to merge the contracts into a single contract under the new program, please ensure provisions to accommodate this situation. The new contract should include provisions to enable redevelopment/expansions.