

Feedback Form

Small Hydro Program Workshop, May 19, 2022

Feedback Provided by:

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Date: June 1, 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?	Payments based exclusively on energy would be less complex, and more in line with how our plants were built and operate. We understand that the IESO values capacity over energy, but we are not sure that the payment structure the IESO proposes would incent operators like us to operate much differently given the run-of-river nature of our plants.
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 overall split between capacity and energy could be appropriate, but in our case, because our capacity factors are in the range of 60 to 65%, our modelling suggests that our total income will be considerably lower than what we are now receiving through our HCI Contracts. We understand that the IESO modeled a typical plant with an assumed capacity factor of 50%, and that under the starting assumptions, that plant would receive very close to the equivalent HCI revenue. In our case, our total revenue would be in the order of 12 to 15% less than equivalent HCI. We don't think this is the intent of the program. A work-around could be to have varying capacity payments depending on each facility's capacity factor. Traunching could be a suitable approach to simplify. Alternatively, the Capacity Payment could be increased and be based on actual monthly capacity realized, rather than nameplate.
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)	This could be appropriate depending on the actual Capacity Payment chosen. Again, it may be appropriate to have varying benchmarks based on seasonality and based on actual plant capacity payments. A question is how would the IESO settle: monthly, seasonally or annually? We would suggest monthly, with perhaps a provision for adjustment at the end of each seasonal or annual period.
1.4	What feedback do you have regarding the energy ceiling concept and price?	This seems reasonable to us
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	We feel strongly that full inflation at CPI should apply to both Capacity Payments and energy floor and ceiling prices. All our operating and capex costs are faced with full inflation, and we have noted that over the past few years construction and equipment pricing has escalated at a much greater rate than "All Items" CPI for Ontario. In our case we have been keeping up to

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	justification for the percentage you are recommending?	date with major overhauls and do not foresee unusually high costs early in the new contract. Rather, we anticipate our capex costs, while “lumpy”, to be spread somewhat equitably over the length of the new contract.

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 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.	Not applicable to our run-of-river 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)?	This does not apply to our eligible facilities, but we would support the concept. We are aware that the regulatory burden for these small plants is proportionally high, and an adjustment to the capacity payment is a means to recognize the “non-hydro” social benefits provided. 10% seems reasonable.

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?	This is a very good feature, and we strongly support this. Thanks to the IESO for listening to us regarding both term length and the need to have certainty at the beginning of the program. If this program were to be extended to facilities with contracts expiring after 2030, we would suggest that program end date be adjusted to provide a rolling 20 year contract term.

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?	In our case, we are 100% municipally owned so we have no concern as to how this is set. However, we would support a sliding scale, starting at 10% ownership and maxing out a 50%.
5.2	What feedback do you have on the maximum value of an adder (in the case of 100% ownership by an Indigenous Community, Community or Conservation Authority)?	We recommend a 10% adder for the maximum value

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	Should this program be extended to include contracts expiring after 2030, we would like to see some mechanism where we could sign the contract at program launch (2023), but not actually migrate to it until our contract expiry. The reason for this is that, in our case, we have a HESOP contract with an enhanced rate structure that was designed to pay for our upgrade costs. We will need to receive these enhanced rates until the end of our current contract. Then we can migrate to the (likely lower) Small Hydro Program rates available at that time.