

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?	We generally understand the structure, although we may not be sure with 100% certainty how it will be applied. The concept is reasonable, but we believe the ceiling may be low and/or that there should be a sharing of energy payment above the ceiling.
1.2	What feedback do you have on the assumptions for the reference case used in developing the payment structure? Specifically, what feedback do have on the reference case regarding: an appropriate split between the capacity payment revenue verses the energy payment revenue; the assumed capacity factor; the energy floor price?	The feedback would be that the reference case may represent a large number of generators, but certainly not all. As a generator that has a fairly consistent level of flows (unless upstream generator has downtime for maintenance etc.) the reference case is not representative of a typical year for SCHGI. A reference case based on a generator with a higher capacity factor would see a decrease in revenue compared to the current HCI pricing.
1.3	What feedback to you have regarding setting the fleet wide capacity factor benchmark at 40%? (Below this capacity factor, capacity payments will be reduced)	Even with significantly reduced flows from upstream generators, SCHGI would be rare to have a capacity factor below 40%, and if it occurred, it would be for a limited period of time due to station related work/maintenance/upgrades.
1.4	What feedback do you have regarding the energy ceiling concept and price?	Understand the concept. With the position the energy market seems to be headed, the noted ceiling seems low, especially if the above ceiling prices are not going to be shared to some extent with the generator. The Energy prices should also have some form of indexing applied.
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?	The appropriate percentage is 100%. Inflationary cost increases don't only apply to a certain percentage of operating costs, it applies to all costs, perhaps save and except for water conveyance fees. Further, inflation on Capex tends to increase at a level above CPI.

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 dispatchable, no comment.

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)?	As a facility larger than 1 MW, SCHGI is not impacted, but also does not oppose the idea of a tranche for those small facilities in order to maintain their economic viability.

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 seems reasonable, and assists with long-term planning with a 20 year horizon

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?	As a municipally owned corporation, SCHGI supports enhanced payments for these ownership groups. Locally, working with upstream generators to manage water flows has assisted the Region in attracting national and international events, supporting recreation, tourism, economic development and local employment.
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)?	A maximum value of 10%, similar to prior programs would be appropriate.

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	Firming up the capacity payment and floor and ceiling prices should be tied to the discussion on the ownership of environmental attributes. To date this has not been discussed, however if the ownership of these attributes is fully the IESO, this would support increases to the Capacity and/or floor and ceiling prices. A further understanding of how capital upgrades may or may not factor into the payment and prices would also be helpful for our facility, as we will be due to undertake significant capital work in the 2030-2040 period, including replacing/rebuilding Speed Increasers and replacing spillway gates. Understanding how our revenues will be affected during that period and if any financial assistance will be available will assist with planning for these upgrades which ensure the station is performing at peak levels and minimizing the risk factors associated with operating older facilities.