

Feedback Form

Options to Address Uninsured Liability Risk webinar – December 16, 2020

Feedback Provided by:

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Date: January 18, 2021

Please provide feedback by January 19, 2021 to engagement@ieso.ca.

Please use subject: Feedback: ULR

To promote transparency, this feedback will be posted on the Options to Address Uninsured Liability Risk webpage unless otherwise requested by the sender.

Questions

Topic	Feedback
Which of the two options do you prefer?	

Topic	Feedback
Is there anything we should be aware of before implementing one of the two options?	It sounds as if the IESO may be non-compliant with the Market Rules as of September 2020. Has the IESO requested a forbearance from MACD until such time that the issue has been resolved?

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If the compensation option were pursued, should recovery be from loads or all market participants?	Per the IESO, it is "liable to market participants for losses caused by negligent acts or omissions of the IESO, with some limitations." Given the policy is to insure the IESO against claims from all market participants, Northland Power believes the costs of such insurance should be borne by all market participants, inclusive of those that represent distribution level load.

Topic	Feedback
Is there anything else you need to know to provide feedback on the two options?	What has been the estimated cost of the insurance previously? Out of the five or so instances where there was a payout related to this type of activity (whether filed as a claim or not), what was the total dollar value of these payouts?

General Comments/Feedback

Northland Power believes it's prudent for the IESO to periodically assess the appropriateness of insurance obligations; especially in the face of changing circumstances, such as the rapidly rising cost of all types of insurance.

No level of insurance will eliminate risk; risks cannot be eliminated, they can only be managed. Accordingly, setting insurance requirements is a value judgement on the cost/benefit of insuring against that risk. Indeed, Northland Power recognizes that the cost/benefit picture may have shifted over the years as it relates to the IESO's uninsured liability risk. But the IESO is not alone in facing the shifting insurance landscape.

Generators are obligated to maintain insurance through some combination of contractual and market rule obligations. As with the IESO's uninsured liability, these obligations were created under a different insurance landscape, and may not be appropriate under the current circumstances. Northland Power encourages the IESO to broaden the scope of its review to assess the appropriateness of insurance requirements placed on all market participants, be they through the market rules or contracts with the IESO.

Right sizing the insurance obligations of all market participants could represent a significant cost savings to market participants, and eventually Ontario ratepayers. For example, allowing generators to increase their deductible under their All-Risk property insurance coverage could significantly decrease premiums. Furthermore, changing coverage requirements from the "full replacement value" of the facility to the "maximum foreseeable loss" would have a similar impact on premiums. The latter change would be particularly impactful for generators with only a few years left on their contracts, as they would no longer need to maintain coverage that pays out the full cost of rebuilding a new facility.