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APPRO
ASSOCIATION OF
POWER PRODUCERS
OF ONTARIO

June 21, 2018

Independent Electricity System Operator
Attention: Market Renewal Project Team
1600 – 120 Adelaide St. West
Toronto, ON M5H 1T1

**RE: Written Submission of the Association of Power Producers of Ontario (APPRO)
Market Power Mitigation (May 23, 2018 Materials)**

The Association of Power Producer of Ontario (APPRO) would like to thank the IESO for the opportunity to comment on the Market Power Mitigation (MPM) materials presented on May 23, 2018 session. APPRO is a trade association representing Ontario independent power producers and over 100 suppliers of services, equipment and consulting services. APPRO members produce power from co-generation, hydro-electric, gas, nuclear, wind, energy waste wood and other sources. Generator members include:

- | | |
|--------------------------------|-------------------------------------|
| 1. Algonquin Power | 11. Kruger |
| 2. Bruce Power | 12. Markham District Energy |
| 3. Brookfield Renewable Energy | 13. Northland Power |
| 4. Capital Power | 14. Oakville Enterprises |
| 5. Capstone | 15. Portlands Energy Centre |
| 6. ENGIE | 16. Regional Power |
| 7. Goreway Station | 17. St. Catharines Hydro Generation |
| 8. Greenfield Energy Centre | 18. TransCanada Energy Ltd. |
| 9. GTAA | 19. TransAlta |
| 10. H2O Power | 20. Toromont |

APPRO's comments will focus on the following:

- Economic Withholding: Reference Level
- Reference Quantity
- Global Market Power
- Uneconomic Production

ECONOMIC WITHHOLDING: REFERENCE LEVEL

APPRO would like to echo its comments of April 27, 2018. A resource's reference level should be reflective of its actual costs and a look-back of averages of historical offers and/or LMPs is not a good indicator of the prevailing market conditions that could impact a resource's reference price. Furthermore, as stated in our April submission, there may be a need to establish an "exception"

mechanism and process as gas-fueled facilities may at times need to offer outside the permitted safe-harbours. Please refer to our April submission for further details. Lastly, APPrO would like to understand and hear the IESO's methodology on how the reference level for the steam turbine will be determined.

REFERENCE QUANTITY

Could the IESO please confirm APPrO's understanding that the IESO has determined that a strict reference quantity (previously must-offer obligation) rule will not be imposed on resources in either the DAM or RT/ERUC time-frame. Furthermore, APPrO understands that the IESO is contemplating whether or not there is a need to maintain the current Availability Declaration Envelope (ADE) mechanism in the DAM.

If APPrO's understanding of the preliminary decision is accurate, APPrO is supportive of dispensing of the strict "must offer/reference quantity" rule and instead the IESO making ex-post assessments for the purposes of determining physical withholding. APPrO agrees that by not applying a strict reference quantity, this would lessen the burden on both the IESO and market participants as compared to trying to construct a methodology incorporating operating restrictions to determine the must offer reference quantity.

GLOBAL MARKET POWER

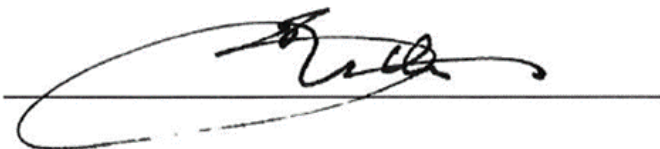
IESO has made the preliminary decision to test for global market power when both the Michigan and New York interfaces are import congested, or the net interchange schedule limit (NISL) is binding for imports. IESO indicates that other interties are not of sufficient size or connected to a sufficiently liquid market to discipline competition. However, APPrO would argue that the Hydro-Quebec intertie is sufficiently large to also warrant mitigation.

UNECONOMIC PRODUCTION

APPrO is of the opinion that market power mitigation should also apply to capacity imports under contract/agreement with Ontario as these transactions could have the same impacts as those the IESO is trying to mitigate against from internal resources (i.e. submitting low offers with the intention to maximize their two-settlement outcome).

Should you have any further questions on this submission, please feel free to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "David Butters", is written over a horizontal line. The signature is stylized and cursive.

David Butters
President & CEO