



January 30, 2017

Market Renewal Stakeholder Engagement
Independent Electricity System Operator
Attn: Ryan King, Senior Advisor Stakeholder and Public Affairs

Submitted via email

Dear Ryan:

Re: Market Renewal Stakeholder Consultations

AMPCO is the voice of industrial power users in Ontario. Our mission is industrial electricity rates that are competitive, fair and efficient.

Attached are AMPCO's comments to the IESO on the benefits discussed at its December 19, 2016 meeting of the Market Renewal Stakeholder Engagement. AMPCO appreciates the opportunity to provide such feedback.

Best Regards,

[Original signed by]

Colin Anderson
President

Association of Major Power Consumers in Ontario
Thomson Building
65 Queen Street West, Suite 1510
Toronto, Ontario M5H 2M5

Website: www.ampco.org
T: 416-260-0280
F: 416-260-0442

Market Renewal Initiative

Submissions of the Association of Major Power Consumers in Ontario (AMPCO)

INTRODUCTION

Ontario's electricity system is complex and almost always changing. AMPCO provides Ontario industries with effective advocacy on critical electricity policies, timely market analysis and expertise on regulatory matters that all affect their bottom line. We are the forum of choice for major power consumers who recognize that their business success depends on an affordable and reliable electricity system.

These are the submissions of the Association of Major Power Consumers in Ontario in relation to the IESO's Market Renewal Project. AMPCO's Members are major power consumers, responsible for over 15 TWh of annual load in the province. A robust, efficient and affordable energy supply is critical to the success of their businesses, which is why AMPCO has an interest in this consultation.

AMPCO appreciates the opportunity to provide feedback and looks forward to continued dialogue with the IESO.

GENERAL COMMENTS ON THE PROJECT

AMPCO has some general concerns in regards to the approach being taken on the Market Renewal Project. AMPCO is still uncertain as to what the overall goals and objectives are for the project. At this point in the process, a clear statement should exist that sets out what the destination is, and how it will be recognized once it is reached. In AMPCO's submission, that has not yet happened with sufficient clarity.

Often, when asked about goals and objectives in the MR Initiative, things such as a capacity market, a single pass scheduling system and general efficiency gains are offered in response. In AMPCO's submission, these are neither goals nor objectives - they are tools by which goals and objectives can be realized. A very clear statement of the goal of Market Renewal must be drafted, stakeholdered and agreed upon - only then can we determine how to achieve that goal¹. Perhaps some targets can be developed that serve the goal of the project (KPIs), and the major decision points in the project can be measured against those targets.

While some of the high-level administrative attributes of the project may not yet be fully developed or communicated, in AMPCO's submission, it is clear from the November 28, 2016 speech at the Empire Club of Canada by Minister Thibeault, that the goal of Market Renewal must be cost control.

“Not only must we endorse the goals of Market Renewal, but embrace them as the effective next steps in Ontario’s wholesale market evolution and a key driver of cost containment in this sector. This reform will play a key part of achieving the goal of continued bending in the cost curve.” [emphasis added]

Further to this, and very much in support of it, a recent Navigant presentation at a Market Renewal Education Session made the following statement:

“The overall goal of market renewal is to redesign the markets so:

- Market pricing is more transparent - improving the price signals that drive participant decisions.
- Markets operate more efficiently - lowering the overall costs to provide electricity.
- Market prices are more stable and predictable - supporting planning and investment for both consumers and providers.”

In AMPCO's submission, transparency, stability and predictability all serve the goal of lowering costs - they don't necessarily represent end goals in and of themselves.

¹ Objectives define strategies or implementation steps to attain the identified goals. Unlike goals, objectives are specific, measurable, and have a defined completion date. They are more specific and outline the “who, what, when, where, and how” of reaching the goals.

Transparency, for example, serves little purpose as an end goal - rather, it is sought after in order to improve one's understanding and is used to achieve an end goal.

IESO restatement and endorsement of a cost control goal would be very helpful to all stakeholders and would provide much needed direction and clarity to the Market Renewal initiative.

Finally, it must be understood that AMPCO is not trying to undermine the process. We are attempting to gain clarity on where we are going - the project, its goals and objectives, whether it is necessary to consider changes to governance, and how the project will ultimately benefit market participants. This perceived lack of clarity has resulted in a corresponding lack of confidence. This does not constitute "undermining"; this is a natural reaction to a situation that has been ill-defined. Appropriate definition and clarity will resolve this lack of confidence.

SPECIFIC COMMENTS ON BENEFITS ASSESSMENT

Turning now to the Brattle Group's Benefits Assessment, discussed at the December 19, 2016 Market Renewal Stakeholder Engagement Meeting, the following are AMPCO's comments:

- AMPCO struggles with the direct translation of studies from other markets. While Brattle spoke to this and provided its assurance that such studies could be "normalized" to provide valid information that is usable within the Ontario context, AMPCO continues to have concerns. There is no other market that shares a similar structure to Ontario. Further, the circumstances that existed in these other markets at the time of their studies with respect to supply mix, supply margin, capacity versus energy, etc. could all have been very different than the set of circumstances that currently exists within Ontario. AMPCO would like to have a better understanding of the data that is being relied upon and how it has been modified to be relevant to the Ontario context.

- Stakeholders are currently unable to review how the quantification of benefits was performed. In particular, AMPCO is uncertain how they were quantified given the differences between markets (see the point set out above), and the potential interactions between the various design elements that Brattle is considering (for example, is there a potential for interaction between treatment of contracts and moving to a single pass system that has not been evaluated, but could affect the benefits calculations?). This was raised at the December 19 meeting, and AMPCO looks forward to increased information and clarity on how this was carried out.
- The approach to scaling the potential benefits base case to a high and a low case appears simplistic. AMPCO believes some additional rigour may be required here.
- AMPCO understands that it is currently the potential benefits that are being considered in more depth than costs. However, prior to any decisions being made, all costs need to be assessed whether they are attributable to generators, loads or the system operator, since ultimately these costs will be borne by loads.
- In the Brattle Group's slides, (slide 45) it is stated that the focus should be on the benefit-cost ratio, not on cost minimization. While AMPCO can accept this on some level, it is also concerned with to where those costs and benefits will accrue. As set out above, load customers will ultimately bear the costs - AMPCO feels that those same customers should also enjoy the benefits. Irrespective of the benefit-cost ratio, modifications to the market should not result in higher costs to consumers as a result of intended or unintended consequences of the changes.
- Has Brattle considered some of the other current Ontario initiatives in evaluating the benefits? For example, in the IESO's 2016 Operability Assessment, certain recommendations were made (in respect of variable generation) that could potentially impact the benefits calculations. It would be unfortunate if the additional costs associated with the types of

recommendations included in the Operability Assessment eroded the potential benefits of Market Renewal.

- While not specific to the benefits assessment, AMPCO is of the opinion that programs and products that load customers currently participate in and/or provide to the system should be preserved and expanded, where practical. They should only be modified in a way that does not create barriers to participation.

Again, AMPCO appreciates the opportunity to provide feedback and will continue to work with the IESO and other stakeholders as we move forward.

All of which is respectfully submitted.

January 30, 2017