

March 31, 2017

Independent Electricity Operator
Stakeholder Engagement

Market Renewal-Draft Benefits Case

Bruce Power appreciates the opportunity to participate in the Market Renewal stakeholder engagement process and the chance to provide feedback to the Brattle Group's Draft Benefits Case Report addressing market renewal prepared for the IESO.

Bruce Power is in support of the objective of improving market efficiencies and providing further cost saving for the consumer. We also very much support the optimized usage of existing assets in the province through various market enhancements such as Day Ahead market evolution and LMP's as well as many of the possible operability reforms outlined in the benefits case assessment.

We would like to point out one aspect of Ontario's unique system which must be considered in the context of market renewal and incremental capacity requirements.

Electricity generation from nuclear and hydro are the backbone of Ontario's electricity system. In 2016, these sources combined generated over 80% of the electricity consumed in Ontario at nearly half of the average cost of power to the residential consumer. Since 2003, Ontario has invested in nuclear and hydro to support both the phase-out of coal fired generation and to return stability to the electricity system. These forms of electricity are often referred to as baseload generation, meaning they are core to the electricity system and generally needed 24 hours a day, seven days a week regardless in changes in demand.

While nuclear and hydro are low-cost, they require intensive upfront capital investment. Through this investment they generate enormous amounts of reliable, greenhouse gas emissions free, baseload generation for decades. Nuclear and hydro investments require financial commitments extending over decades and long term agreements with indigenous and local communities. Given their foundational nature, these large sources of baseload electricity will continue to be secured through long-term frameworks such as the ones in place today related to large hydro or nuclear refurbishment.

Capacity auctions for incremental intermediate and peaking resources as contemplated in market renewal could generate significant efficiency benefits to Ontario by attracting low-cost, non-traditional capacity resources that may not have been identified under Ontario's existing procurement framework. Capacity auctions are designed to procure generation

capacity over short terms of 1 – 5 years. Intermediate and peaking resources that are most able to change operational behavior in response to market incentives have been identified as most likely to achieve significant efficiency gains associated with market renewal. Consequently, capacity auctions would be in place for procuring these intermediate and peaking resources over shorter terms while nuclear and hydro capacity decisions would continue to be procured through a long-term regulatory or contractual framework.

Bruce Power is looking forward to its continued engagement with the IESO and all stakeholders as we move forward with the Market Renewal Initiative.

Regards,

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