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APPrO
ASSOCIATION OF
POWER PRODUCERS
OF ONTARIO

December 18, 2017

Independent Electricity System Operator
1600-120 Adelaide Street West
Toronto, ON M5H 1T1

Attention: Contracts Management

Dear Sirs,

**RE: Market Renewal Program and Electricity Supply Contracts
Submission of the Association of Power Producers of Ontario**

Further to the request by the Independent Electricity System Operator ("IESO") at the webinar held on October 31, 2017 by the IESO with respect to the Market Renewal Program ("MRP") and Electricity Supply Contracts (the "IESO Presentation"), the Association of Power Producers of Ontario ("APPrO") has prepared this submission in response to certain matters set out in the IESO Presentation.

APPrO has been actively participating in the MRP engagements and although the MRP will take several years to design and implement, we are encouraged that the IESO has taken the initiative at such an early stage to begin engaging with its contract counterparties and market participants for a collaborative discussion on the various matters raised in the IESO Presentation. We note that the IESO is proposing a parallel track between the finalization of market rules/manuals and the contract amendment process. This approach should maximize the chance of securing widespread stakeholder support for such an ambitious market reform initiative.

As the MRP is still in the high-level design phase, it is difficult to ascertain what specific impacts the overall design and market rule changes will have on members' specific contracts. Nevertheless, it is expected that market renewal will have contract

implications and we are encouraged by the IESO's affirmation that the intention of any contract amendments is not to "*extract value from contracts*". With that in mind, and in the spirit of ongoing collaboration, we believe that certain activities and early work related to the management of existing contracts should be done in parallel with the high-level design work for the MRP that is currently being undertaken by the IESO. With respect to Clean Energy Supply ("CES") contracts, we believe that further dialogue in the following areas could be constructive at this stage:

- IESO's position regarding the limited impact on Suppliers related to the Enhanced Real-time Unit Commitment ("ERUC") stream. To the extent any analysis has been completed by IESO in this regard, it would be beneficial for stakeholders to review. We note that CES contracts have provisions to address general market rule changes which are triggered by impacts to Supplier's economics.
- IESO's position regarding incremental capacity and the Incremental Capacity Auction ("ICA"). APPrO notes that for contracted resources the IESO has indicated that market participants will be entitled to offer incremental capacity into the ICA. Confirmation as to how this would apply to CES contract holders including implications related to existing contractual provisions discussing capacity auctions would be of benefit.
- Day Ahead Energy Market ("DAM") and contract implications. Further discussion with the IESO regarding its approach to addressing contract implications raised by the DAM, including the impact to Supplier's economics and potential methodologies and assumptions of the IESO in this regard would be of benefit.
- Locational Margin Pricing (LMP) and contract impacts. Similar to the DAM point above, APPrO would like to further discuss with the IESO its approach to addressing contract implications raised by LMP, including the impact to Supplier's economics and potential methodologies and assumptions of the IESO
- Contract settlement proposal in the context of both a real time Locational Margin Pricing (LMP) and a DAM.

As this MRP process further unfolds, new issues will undoubtedly be identified; however, the above list of issues provides a starting point for initial discussions. It is APPrO's view that providing clarity in the areas indicated above would not only aid in more constructive contract amendment discussions between the IESO and contract holders, but would also reduce or avoid potential disputes. APPrO believes that the IESO and contract holders need to start engaging on these various issues immediately in order to meet market renewal implementation timelines.

At this early stage, we believe the most efficient forum for engagement is the creation of groups of interested persons reflecting similar contract types (e.g., CES, FIT, CHP, etc.) to address the common elements or aspects of the contracts. However, the IESO should also be open to having one-on-one discussions with Suppliers at the detailed design and rule making stage to maintain confidentiality and reflect contract differences.

It is APPrO's intention to work collaboratively and in good faith with the IESO throughout the MRP process to ensure that contract issues are addressed in an appropriate fashion and that market renewal can succeed.

Should you have any further questions or concerns, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, consisting of a large, loopy initial 'D' followed by a series of connected loops and a final horizontal stroke ending in a small arrowhead.

David Butters
President & CEO

cc. APPrO Board of Directors; APPrO Market Affairs Working Group; IESO Stakeholder Engagement; IESO Market Renewal Team