

April 8, 2016

**Marketing d'énergie HQ Inc. /
HQ Energy Marketing Inc.**
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Montréal, Québec
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Mr. Michael Lyle
Vice-President, Planning, Law and Aboriginal Relations
Independent Electricity System Operator

Subject: Comments of HQ Energy Marketing Inc. on the Ontario Planning Outlook

Dear Sir:

HQ Energy Marketing Inc. ("HQEM") commends the IESO for initiating work surrounding the 2016 Long-Term Energy Plan ("LTEP") process envisioned in Bill 135. The Ontario Planning Outlook document ("Preliminary Outlook") presented to stakeholders at the March 2016 Stakeholder Advisory Committee session provides a lot of information that will undoubtedly prove useful to the Ministry of Energy ("Ministry") when contemplating various options available to meet Ontario's long term needs.

Recent developments such as the 500 MW Capacity Sharing Agreement¹ between IESO and HQEM proves that Ontario and Québec can mutually benefit from an increased role of the interties. An enhanced global regional intertie optimisation would be ultimately to the advantage of Ontario consumers. As detailed below, HQEM believes the Preliminary Outlook should place more emphasis on the role of interties and on the cost of electricity in Ontario.

Interties

- While the Preliminary Outlook makes a few mentions of interties, those are very limited and do not provide sufficient information on how these key assets can help meet capacity, energy and other reliability needs (e.g. ramping, operating reserve, regulation). Intertie flexibility can provide benefits such as balancing service offers and help resolve issues arising from intermittent generation going forward.
- As HQEM has advocated in the past², clean external resources can play an important role in the province's supply mix. As such, they can help meet carbon reduction targets and efforts should be made to place them on a level-playing field with internal generators in future procurement processes. The IESO can help facilitate this discussion by providing to the Ministry the extent of the interties' capability for various products in the short, medium and long term.

¹ <http://www.ieso.ca/Documents/corp/Summary-Capacity-Sharing-Agreement-Ontario-Quebec.pdf>

² <http://www.ieso.ca/documents/consult/intertierview/IR-20140523-Feedback-HQEnergyMarketing.pdf>

Cost of Electricity

- The Preliminary Outlook provides little information about the future cost of electricity in Ontario and its various components. In that respect, it departs significantly from the content of the 2013 LTEP, which included various technical modules³ notably detailing the cost of electricity in Ontario. It seems to HQEM that the IESO is well positioned to convey such information to the Ministry.
- Clean resources from outside the province might be interested in competing in future RFPs in Ontario. From our perspective, the IESO plays an important role in facilitating the discussion around the cost of electricity in Ontario and in pointing out to the Ministry the various alternatives from outside the province.

Understanding the process and consultations surrounding Bill 135 are new to the industry, HQEM would appreciate that the IESO keep stakeholders well informed of the next steps and possibilities for more input. We are confident that ultimately this exercise and the resulting LTEP and Ministerial Directives will prove beneficial to the Ontario consumers.

Best regards,



Frédéric Bélanger
Manager, Regulatory Affairs, HQEM

³ <http://www.powerauthority.on.ca/power-planning/long-term-energy-plan-2013>