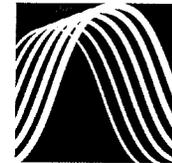


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APPRO

ASSOCIATION OF
POWER PRODUCERS
OF ONTARIO

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Generator Priorities for 2015

- A. Stakeholding structure and process:
 - a. Merger of the two current SACs.
 - i. Generators anticipate that their representation would be no less than either the current IESO or OPA in percentage terms.
 - ii. Generators expect the new SAC to continue to be a platform for representatives to provide recommendations on market development and policy advice. Generators anticipate that their contributions will influence decision making.
 - b. Technical Panel.
 - i. The generators supported many of the recommendations put forward by the Technical Panel review undertaken by Power Advisory. Overall, the proposed changes were consistent with some key areas of concern identified by the generators community at the SAC meeting held on March 26, 2014. We provided the IESO with a matrix showing the key areas of concern, and how the recommendations resulting from the review would address those concerns and possible gaps.
 - ii. Observers should also be allowed to participate by phone or in person.
 - iii. Generators anticipate that TP reform along these lines will be undertaken in 2015.

- B. Effective Separation of Market Operations and Procurement and Contract Activities.
 - a. In 2014, generators made several comprehensive submissions on the importance of, and proposed approach to effective separation of market operations including market rule amendment and market oversight and dispute resolution, and procurement and contract activities.
 - b. Generators note that this remains an important matter which has not yet been effectively addressed by the IESO.
 - i. Generators continue to view this as an important matter for resolution in 2015. We look forward to working together with the IESO to achieve both clarity and consensus in this area.
 - ii. Generators also view external IESO governance as an important 2015 matter, more fully described below.
 - c. IESO-OPA Fees – generators are looking for clarification with regard to how these will be determined and how allocated. For example, the functions and

costs incurred by the OPA relate specifically to ensuring adequacy to internal load: this has been tested and confirmed at the OEB. How will this be addressed?

C. Market Evolution Activities

a. Capacity Auction

- i. Generators continue to look for clarity from the IESO on how program objectives, timing and fundamental policy and market structure issues will be addressed in the capacity auction design. In particular, the Design Document should provide details as to how generators and prospective investors can be assured that Ministerial Directives and/or government policy decisions will not undermine capacity auction value.
- ii. In light of these yet-to-be-answered broad questions associated with introducing a capacity auction in Ontario, generators still seek to understand what the IESO's criteria for 'go/no-go' are in terms of moving forward with an Ontario-made capacity auction. It is unclear how work related to the design elements will ultimately lead to a decision.
- iii. Generators reiterate that the process and timeframe for addressing governance issues related to capacity auctions must be addressed and is critical. Development of an accountability model for the IESO which more closely follows the pattern of every other ISO and RTO in North America (i.e., that the terms and conditions of services be reviewed on the basis of a just and reasonable standard by an independent regulator) should be a priority for 2015.

b. Locational Pricing

- i. Generators seek clear objectives and clarity of decision processes.
- ii. In this context, they seek to know why the Market Reform report was not circulated for wider stakeholder consultation and whether the IESO endorses the recommendations in the report.
- iii. It should be noted that the estimated saving over 10 years and in relative terms are not that significant based on total sector trade and based on an implementation cost estimate that is largely speculative. A significant swing in IESO and market participants' implementation costs may reduce that saving even further. Generators believe that the IESO should refine the implementation costs

c. Ontario- Quebec Capacity Exchange

- i. Generators will be looking for further insight and detail about this arrangement between the IESO and HQEM, in order to assess its impacts and ensure openness and fairness in the IESO-administered market.

d. Climate Change

- i. The government is actively seeking comments from all sectors of the economy on management of greenhouse gases.
- ii. Generators note that the electricity sector that has already decreased its GHG emissions more than 65%, leading to very efficient, low emissions intensity electricity sector.
- iii. The sector currently has no ability to mitigate its emissions as the generation technology is set at the time of construction and the Province's supply mix directive stipulates how much energy is to be

generated from what generation sources. The IESO-administered wholesale market together with OPA contracts and other considerations determine what type of generation will supply demand for electricity at any given time.

- iv. Proposed carbon tax or cap-and-trade proposed approaches will likely require contract amendments for virtually all gas-fired electricity generators, adding costs and burdens on generators and ratepayers (assuming that all costs will be passed through to them) - all for no additional environmental benefit.
- v. Generators see this issue as an important priority for collaboration between the IESO and market participants in 2015.

D. Contract-related activities

a. NUG contracts

- i. The December 19th 2014 Directive suspended negotiations pending development of a new framework for contracting. Generators seek to work collaboratively with the IESO to develop this new framework for NUG recontracting as soon as possible.
- ii. At least one of the NUGs has a contract which has expired, but was extended to the end of May as a result of earlier discussions. It would seem only fair to further extend that contract and other NUG contracts in a similar situation until such time as a final determination on a mechanism for securing these resources has been made.

b. Large Renewable Procurement 1 (LRP1)

- i. IESO's LRP I RFP Consultation process: consultation on the LRP I has been inadequate and unacceptable;
- ii. Supplemental Network Connection Information process; the IESO's proposed Supplemental Network Connection Information (SNCI) process needs to be clear, workable and effective;
- iii. The LRP I Contract – Voluntary Termination clause. This provision will jeopardize the success of the procurement and must be deleted in its entirety and replaced with something more reasonable.
- iv. Generators look forward to working with the IESO on these issues in 2015, leading to a successful procurement process.