

Feedback Form

2023 Annual Acquisition Report (AAR) – February 23, 2023

Feedback Provided by:

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Date: 3.9.2023

Following the February 23, 2023 engagement webinar, the Independent Electricity System Operator (IESO) is seeking feedback from stakeholders on the items discussed during the webinar. The webinar presentation and recording can be accessed from the [engagement web page](#).

Please submit feedback to engagement@ieso.ca by March 9. If you wish to provide confidential feedback, please submit as a separate document, marked "Confidential". Otherwise, to promote transparency, feedback that is not marked "Confidential" will be posted on the engagement webpage.

Questions Directed at All Resource Types

| Topic | Feedback |
|---|---|
| <p>Do you agree with the IESO recognizing market exit as an uncertainty and its intention to consider that some facilities exit the market in its analysis?</p> | <p>We agree that the IESO should inform the AAR with analysis of the risk and uncertainty surrounding market exit, however what qualifies as “exit” should be clarified to ensure properly defined scope. The IESO committed during the engagement on Feb. 23, 2023 to including DERs in the 2023 AAR, which we appreciate. We believe however this should be more than what was referenced as “accounting for [DERs] accurately” to make sure the IESO is not “missing or double counting” any DERs. Specifically, the analysis must account for the DERs currently reducing demand during peak system conditions for ICI customers switching to DERs to mitigate Global Adjustment cost exposure. Those DER resources reliably and consistently mitigate system stress during peak conditions, and they are as exposed to policy and economic risks as other resources. This question should be reframed so the assessment of potential “exit” includes facilities beyond just those under IESO contract. As highlighted in the Energy Storage Canada (ESC) comments in this engagement, a good majority of Ontario DER resources were accomplished via bilaterally negotiated commercial agreements, not an IESO contract. Accordingly, the IESO should consider a discreet IESO procurement, seeking contracts with existing and new DERs, in exchange for a commitment to be available for dispatch during peak system conditions. This would be a simple and straightforward procurement and contracting process, would secure a reliable peaking resource, and prevent the exit of non-IESO contracted DERs.</p> |

| Topic | Feedback |
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| <p>Do you expect your facility to participate in the next 5-10 years?</p> <p>What are some considerations that may impact participation?</p> | <p>Consistent with the answer to the above question, we believe this question is too narrowly posed when considering applicability to DERs. If “participation” is broadly interpreted to capture whether existing DERs expect to be physically willing and able to for dispatch in the next 5 – 10 years, then yes, absolutely, the intent is ongoing operation and optimization of DERs in Ontario. As stated above, a good majority of the DER investments in Ontario have been via bilaterally negotiated commercial shared-savings agreements. A major consideration impacting the ongoing investment and operation of DERs in Ontario is IESO market pricing and conditions. This is not pure merchant market exposure given no IESO market commitment, however the IESO administered wholesale market conditions directly dictate whether these DER investments continue to make economic sense. Specifically, investment in these resources is premised on the DER functioning as an offset to electricity costs when market pricing and timing of system peaks aligns accordingly. The IESO can directly address this consideration and ensure DERs continue to “participate” by pursuing a discreet procurement, contracting with existing and new DERs, in exchange for a commitment to be available for dispatch during peak system conditions.</p> |
| <p>Facilities require regular maintenance and operational activities throughout their lifecycle. At what year of life would your facility require significant capital investments to extend its usable life? How long of a commitment would you expect to pay-off significant capital investments?</p> | <p>Not answered</p> |

| Topic | Feedback |
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| <p>How can existing assets be maximized? What is needed for these facilities to stay and continue operation?</p> | <p>Existing DERs can be maximized in several ways that other resources cannot. As discussed above the majority of Ontario DER investment was justified via offsetting customer electricity costs, with no IESO contract commitment. These assets are utilized a fraction of the year and are available for dispatch to provide other services throughout the year. Revenue certainty is what is needed for these facilities to stay, continue operation, and be maximized.</p> <p>The IESO articulated 5 needs it is assessing for in the AAR, specifically (i) capacity, (ii) energy, (iii) locational, (iv) operability, and (v) resilience, and DERs are the only resource that can efficiently address all 5.</p> <p>As stated above, the IESO can ensure it has ongoing and future access to the multiple sources of value that existing DERs can provide is to pursue a discreet IESO procurement(s) to contract with existing and new DERs for services that solve for the above needs. These procurements can be narrowly tailored by service type, target procurement and or length of contract. Additionally, to ensure maximum value, the contracts awarded DERs should explicitly permit DERs to provide multiple services, whether under IESO contract or via a commercially negotiated bilateral agreement.</p> <p>Optimizing DERs should be a priority for the IESO given the untapped potential they present in addressing system needs. Numerous IESO conducted studies and reports have validated the reliability and economic benefits of DERs, yet they are the only class of resource not included in the long-term procurements. The IESO can leverage the AAR to optimize downstream procurement processes by dedicating efforts to DER targeted procurements.</p> |
| <p>Is repowering your facility(ies) with a renewable fuel an option for future participation, and if so, what would be the earliest timeline for this?</p> | <p>Not answered</p> |

Questions Directed at Natural Gas Facilities

| Topic | Feedback |
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| How do you interpret the expected Clean Electricity Regulations (CER) in terms of the impact on the future operation of your facilities, including for emergency use purposes? | Not answered |
| What impact will the rising federal carbon price have on the operation of your facilities in 2030 and beyond? | Not answered |

Other

| Topic | Feedback |
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| Has the IESO missed any considerations in terms of the future participation of existing resources? | Please see above regarding inclusion of DERs as an existing resource class that should be preserved. The AAR should include plans for a discreet procurement process dedicated to DER capacity, energy and ancillary services needed for reliability over the 12 years of the AAR. |

General Comments/Feedback

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