

Feedback Form

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

Feedback Provided by:

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Date: March 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>Yes, market exit represents a serious uncertainty and should continue to be considered in the IESO's future analysis and planning exercises. Existing assets that cannot meet their re-investment criteria will exit the market, and reduce Ontario's overall supply. To prevent this outcome, the IESO should immediately establish re-contracting programs that are simple, transparent, and predictable. Such programs should begin with adequate lead time before contract termination. In addition, re-contract terms should be lengthy enough to facilitate financing, which would lower the overall cost of re-contracting for ratepayers.</p> <p>As a reminder, existing non-emitting resources require constant re-investment to maintain their continued safe and reliable operation: these maintenance projects are often more cost-effective with larger, lumpsum, and multi-year investments instead of piecemeal fixes. Such larger commitments are only possible under longer-term contracts, and if facility owners can predict with confidence that re-contracting opportunities will materialize. In other words, well-designed re-contracting programs would not only prevent facilities from exiting the market: they would also help keep existing facilities safe, reliable, and cost-effective in their day-to-day operations.</p>

Topic	Feedback
<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>Yes, we expect our facilities to continue participation until contract termination. However, early, predictable, and fair re-contracting programs are a prerequisite for re-investment and re-powering, so that existing assets can continue their reliable and safe participation in the Ontario market.</p> <p>Alternatively, facilities could exit Ontario altogether, or export their capacity and energy to neighboring markets—denying Ontario their electricity products. In the same vein, the capital required for re-powering and re-investment could also flow to neighbor markets that offer better, longer, and more predictable contract terms.</p> <p>Market Renewal and other market-related changes remain a major uncertainty for existing facility owners. Market Power Mitigation, in particular, represents an uncertainty that can affect offer behavior and a potential barrier to participation.</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>Different technologies have different life expectancies and lifecycles, and some technology types require longer-term planning and more significant investment. As such, re-contracting and procurement processes should account for technology-specific conditions. The IESO should separate, where appropriate, different re-contracting processes to account for technological differences. For example, a hydro-facility's investment needs, and therefore its re-contracting commitment length, can be vastly different than that of a wind facility.</p> <p>Generally speaking, the IESO should provide as much lead time as possible to discuss life-extension and re-contracting, and longer contracts would favor re-financing and lower overall costs for ratepayers.</p>

Topic	Feedback
<p>How can existing assets be maximized? What is needed for these facilities to stay and continue operation?</p>	<p>Outside of a re-contracting program that is simple, transparent, predictable, and that provides enough lead time and contract length, we encourage the IESO to explore incentives and programs for existing assets to perform uprates/expansions, and pair with storage devices to boost their flexibility and capacity factor. For example, the introduction of a peak-shifting credit, to reward storage facilities that consume off-peak and inject on-peak, can introduce a market-based revenue stream which enables adding a storage device to existing assets.</p> <p>Nevertheless, a longer-term RFP that rewards <u>bundled</u> revenue-stream contracts (e.g., capacity and energy revenues from a wind + storage project) would be best placed to maximize the value of existing assets for the Ontario grid, and this at least-cost for ratepayers.</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>We support the investment and pairing of new technology, such as storage devices, CCUS, and hydrogen-fuel switching, to existing assets. Again, a re-contracting program that offers longer-term contracts, revenue bundling, and revenue certainty would best encourage such opportunities.</p>

Questions Directed at Natural Gas Facilities

Topic	Feedback
<p>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?</p>	<p>Click or tap here to enter text.</p>
<p>What impact will the rising federal carbon price have on the operation of your facilities in 2030 and beyond?</p>	

Other

Topic	Feedback
<p>Has the IESO missed any considerations in terms of the future participation of existing resources?</p>	<p>Outside of IESO-run procurements and re-contracting programs, the IESO should enable and encourage corporate, municipal, and industrial loads to contract directly with IPPs. Voluntary Power Purchase Agreements can serve as an additional venue for existing resources to remain in the Ontario market.</p> <p>The IESO should be mindful that existing resources that export their capacity into Ontario from neighboring markets also contribute to resource adequacy, and should not be neglected in the IESO's acquisition process—market rules that govern interties and capacity auctions should be widely consulted and stakeholdered.</p>

General Comments/Feedback