

Feedback Form

Gas Phase-Out Impact Assessment – May 27, 2021

Feedback Provided by:

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Date: June 17, 2021

To promote transparency, feedback submitted will be posted on the Gas Phase-Out Impact Assessment webpage unless otherwise requested by the sender.

Please provide feedback by June 17, 2021 to engagement@ieso.ca. Please use subject:

Feedback - Gas Phase-Out Impact Assessment

Questions

Topic	Feedback
Are there additional considerations the IESO has not identified in defining the scope of the assessment to examine the reliability, operability, timing, cost and wholesale market implications of reduced emissions on the electricity system?	Yes, please see below.

General Comments/Feedback

Thank you for providing the opportunity to comment on this important matter. I provide comments on specific sections of the PowerPoint presentation that IESO has posted on its site.

Page 8: IESO Assessment will NOT include a recommendation for policy decisions

This is a self-imposed limitation that I consider a grave governance error that will continue to facilitate Ontario electricity sector under-performance. I strongly urge IESO to reconsider its position and propose that as part of its work it issue a recommendation on the Gas Phase-Out Impact Assessment (GPIA) to the Ministry of Energy, Northern Development (MoE).

In its PowerPoint presentation IESO does not provide a rationale for why it is proposing not to issue a policy recommendation. It simply states it as a self-imposed limitation. There is no statutory reason why IESO cannot issue a recommendation to the MoE. I understand that any recommendation would not be binding. But I suggest that the lack of a recommendation would result in less evidence-based decision-making process that would provide undue discretion to MoE. This is a long-standing and well-recognized problem in Ontario that IESO should endeavour to correct at every opportunity.

This lack of governance leading to discretionary MoE decision-making has real world consequences. A June 15, 2021 study "Power Surge: The Causes of (and Solutions to) Ontario's Electricity Price Rise Since 2006" (<https://www.cdhowe.org/public-policy-research/power-surge-causes-and-solutions-ontario%E2%80%99s-electricity-price-rise-2006>) notes that total electricity system costs in Ontario have increased from \$12 billion in 2006 to \$21 billion in 2019. Ontario now has by far the highest system costs on a per capita basis in Canada. The authors argue that two important drivers of this unprecedented cost increase has been lack of OEB empowerment and a shift of discretionary decision-making powers from the IESO and OEB to the MoE. These governance-related matters are further explored in "Learning from Mistakes: Improving Governance in the Ontario Electricity Sector" (<https://www.cdhowe.org/public-policy-research/learning-mistakes-improving-governance-ontario-electricity-sector>), which I have also covered (<https://www.policyalternatives.ca/publications/monitor/power-people>).

IESO is ideally situated to make a recommendation to MoE and has the technical and other resources available to it to make an evidence-based recommendation. MoE not bound to accept an IESO recommendation; but if it does not and chooses another option it would presumably be forced to provide a rationale, including any evidence it considers appropriate. This kind of open and transparent decision-making process is what the Ontario electricity sector has been lacking for a generation now and I urge IESO to do make its contribution to improving the governance of the sector by including a recommendation as part of its GPIA work.

Page 27: Cost and Wholesale Market

Given the unprecedented increase in system costs of the Ontario electricity sector noted above, I urge IESO to give highest priority to the "Cost and Wholesale Market" area of assessment in its work.

I am concerned, therefore, at the lack of specificity provided in the PowerPoint and the apparent disconnect between the manner in which costs may be calculated, the actual entities that would likely implement the required infrastructure, how they would be contracted/regulated and which prices would actually hold in Ontario. This lack of comprehensive analysis is one of the reasons that Ontario has ended up with the highest per capita system costs in Canada.

The PowerPoint presentation notes "The assessment will use established costs for known supply technologies and transmission".

What kind of costs will be used? The known costs that IESO currently contracts with its suppliers? Or the known costs that the OEB has approved for the regulated entities? Other costs from other jurisdictions? What will be the methodology that IESO will use to make sure that these are comparable to the conditions that hold in Ontario? For example, costs in other jurisdictions may be determined based on economic regulation, which would imply that for those costs to hold in Ontario would also be subject to some form of economic regulation. A similar argument may be made with respect to costs that are market-determined; these may be applicable in Ontario's hybrid market where the vast majority system costs are out of market revenues related to the Global Adjustment (GA). So if IESO uses market-derived costs as a benchmark, will it include an estimation of the associated GA? I strongly urge the IESO to be as practical as possible in determining the full costs of its options as they are likely to apply in Ontario, given its specific institutional structure of hybrid contracted/regulated generation, all of which is subject to the GA.

In this regard, to bring all these issues together, may I recommend that IESO provide an assessment of the likely consumer impact of the scenarios it is considering. This is conceptually a simple request. Establish a benchmark household with 750kWh monthly consumption and calculate current and 2030 baseline price. Then calculate the likely effect of the different scenarios. This would require IESO flowing through its cost calculations into actual prices. This would provide stakeholders and the MoE with high-quality and actionable options. Otherwise, the IESO risks undertaking a sterile cost-only analysis divorced from the actual prices that are likely to hold, the type of partial analysis that has led to Ontario having the highest system costs in Canada.

Page 30: Additional Considerations

To improve decision-making I urge IESO to be as transparent as possible in this GPIA process.

This consultation process is an important first step. But it is just the beginning.

First, I propose that IESO publish the assessment to the public at the same time that it makes it available to the MoE. For the public to have confidence in the process it must believe that IESO is publishing its assessment as an independent entity without influence of the MoE. While this is not an issue that is discussed in the PowerPoint, IESO should make a commitment that this indeed will be the case.

Second, as part of the published assessment, IESO should strive to be as transparent as possible. Specifically, I propose that IESO release an Excel-based file that includes the technical and economic work and analysis on which its assessments are made. This will provide stakeholders and MoE with the tools to be able to review the costs and other assumptions that IESO used in making its assessment and to carry out any sensitivity analysis. IESO should endeavour to prepare this Excel file without any confidential information so that it can make it publicly available. This kind of openness is a necessary requirement for evidence-based decision making.