



November 18, 2020

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via email: engagement@ieso.ca

RE: Revised Recommendations to Set Standard Reference Levels for Wind and Solar Generators in Replacement of Completion of Facility-Specific Workbooks and One-on-One Discussions with IESO

Dear Shawn,

I am writing to you today following the October 30th presentation made to wind and solar generators with a **revised CanREA recommendation** regarding the Market Renewal Program's (MRP) market power mitigation framework and specifically, regarding how the IESO should proceed with setting facility specific reference levels for wind and solar generators that are registered market participants (MPs) within the IESO-Administered Markets (IAM). This follows our **October 27, 2020** correspondence (**included as attachment in email**) wherein we provided a detailed rationale for seeking an alternative process for contracted wind and solar generators.

As noted in our previous correspondence, CanREA has been engaged in the MRP consultations since its inception. Through our membership in the Power Advisory led Consortium of Renewable Generators, Energy Storage Providers and Industry Associations (the Consortium), we have provided feedback and input on most of the issues presented to stakeholders. We have been reviewing the *Market Power Mitigation Detailed Design Issue 1.0* document and are recommending that the IESO-proposed reference level process be voluntary. All of CanREA's wind and solar generation members that are IAM MPs have contracts with IESO. Based on the provisions and incentives within these contracts, the MP wind and solar generators have no real opportunity to exercise market power through economic withholding.

CanREA contends that MP wind and solar generators wishing to enter one-on-one discussions with the IESO to establish facility-specific reference levels should be permitted to do so on a voluntary basis. We had indicated in our October 27th correspondence that those choosing not to participate would be assessed a default reference level of \$25/MWh. This proposal was put forward in the October 27th correspondence because it aligned with the IESO-proposed conduct and impact test threshold since offers at or below this level are excluded from economic withholding tests.¹ The benefit of this recommendation is that it enables a simplified process that results in significant cost savings for both IESO and MPs by avoiding a large number of IESO-MP one-on-one meetings, including development and review of supporting data and information, to determine facility-specific reference levels. These cost reductions can be expected to flow-through to ratepayers. Further rationale was also included in the previous letter.

At this time, CanREA would like to follow up on the discussion during the October 30th IESO hosted session wherein there was acknowledgement by both industry and the IESO staff that a more streamlined and efficient process would be warranted for wind and solar contract holders. The notion of a default Reference level, at \$0 or some other notional value, has been raised as an option for facility owners to select (akin to a check box on the worksheet), that if selected, indicates the facility owner is

¹ See for example tables at pgs. 24-26 of IESO Draft Energy Design Document for Market Power Mitigation (5 May 2020)

choosing the default level. However, it would be imperative that the selection option include explanatory language that states that the selection of the default reference level (particularly if set a level of \$0/MWh) is not reflective of the actual operational costs of the facilities.

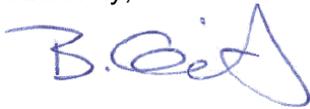
CanREA contends that its MP wind and solar generation members **be given the option to either** undertake the complete process of completing the workbooks or to “opt-out” by selecting the “check-box” option in lieu of completion of the workbooks.

Those opting to complete the workbooks would then be assigned a facility specific reference level resulting from the one-on-one discussions. Those opting not to do so would be assessed against the default reference level – a value established consistent with the design of the IESO market power mitigation framework. For instance, the IESO’s conduct test in the most narrow and stringent of constraints (i.e. NCA/DCA) would test offers against either a 50% or \$25/MWh threshold. If the IESO’s intent with this threshold is to mean the “higher of” these 2 parameters, then a \$0 default reference level would result in no further assessment for any offers below \$25. This is consistent with the IESO proposed “no-look” parameter of offers below that same level. However, if the IESO’s application of these parameters is different (i.e. “lower of,” etc.) then the appropriate default reference level should not be \$0. Therefore, confirmation regarding the IESO’s application and assessment of offers regarding the conduct and impact parameters would be greatly appreciated.

Some CanREA members would support the IESO and MP wind or solar generators initiating one-on-one discussions only once contracts are at or near the expiry date, and ultimately, that the facilities have the option, at any time, to begin discussions with IESO about setting facility-specific reference levels.

CanREA believes this recommendation is reasonable and supported by sound rationale. We hope the IESO will agree. We would appreciate the opportunity to meet with you, along with our members, to discuss these recommendations more fulsomely.

Sincerely,



Brandy Giannetta
Senior Director, Ontario & Atlantic Canada
Canadian Renewable Energy Association

October 27, 2020

Shawn Cronkwright
Director, Market Renewal Operations
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Toronto, ON M5H 1T1

via email: Shawn.Cronkwright@ieso.ca

RE: Recommendations to Set Standard Reference Levels for Wind and Solar Generators in Replacement of Completion of Facility-Specific Workbooks and One-on-One Discussions with IESO

Dear Shawn,

I am writing to you today with a recommendation regarding the Market Renewal Program's (MRP) market power mitigation framework and specifically, with The Canadian Renewable Energy Association's (CanREA's) proposal regarding how the IESO should proceed with setting facility specific reference levels for wind and solar generators that are registered market participants (MPs) within the IESO-Administered Markets (IAM).

CanREA is the voice for wind energy, solar energy and energy storage solutions that will help power Canada's energy future. We work to create the conditions for a modern energy system through stakeholder advocacy and public engagement. Our diverse members are uniquely positioned to deliver clean, low-cost, reliable, flexible and scalable solutions for Canada's energy needs.

CanREA has been engaged in the MRP consultations since its inception. Through our membership in the Power Advisory led Consortium of Renewable Generators, Energy Storage Providers and Industry Associations (the Consortium), we have provided feedback and input on most of the issues presented to stakeholders. We have been reviewing the *Market Power Mitigation Detailed Design Issue 1.0* document and are recommending that the IESO-proposed reference level process be voluntary. All of CanREA's wind and solar generation members that are IAM MPs have contracts with IESO. Based on the provisions and incentives within these contracts, the MP wind and solar generators have no real opportunity to exercise market power through economic withholding.

CanREA contends that MP wind and solar generators wishing to enter one-on-one discussions with the IESO to establish facility-specific reference levels should be permitted to do so on a voluntary basis. Those choosing not to participate would be assessed a default reference level of \$25/MWh. This is aligned with the IESO-proposed conduct and impact test threshold since offers at or below this level are excluded from economic withholding tests.¹ The benefit of this recommendation is that it enables a simplified process that results in significant cost savings for both IESO and MPs by avoiding a large number of IESO-MP one-on-one meetings, including development and review of supporting data and information, to determine facility-specific reference levels. These cost reductions can be expected to flow-through to ratepayers.

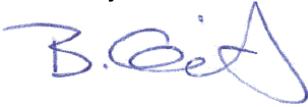
Based on the draft *Market Power Mitigation Detailed Design Issue 1.0* document, IESO has proposed not to evaluate for economic withholding if offer prices are below \$25/MWh. CanREA members' experience within the U.S. wholesale electricity markets that all administer similar market power mitigation frameworks, notes that establishment of reference levels are time consuming, costly, and

¹ See for example tables at pgs. 24-26 of IESO Draft Energy Design Document for Market Power Mitigation (5 May 2020)

potentially adversarial, and given the lack of incentives and inability for MP wind and solar generators to increase market-clearing prices through the exercise of market power through economic withholding in Ontario, CanREA proposes that its MP wind and solar generation members **not be required** to undertake this process unless they opt to do so with the IESO. That is, those opting to do so would then be assigned a facility specific reference level resulting from the one-on-one discussions and those opting not to do so would be assessed against the \$25/MWh threshold. Some CanREA members would support the IESO and MP wind or solar generators initiating one-on-one discussions only once contracts are at or near the expiry date as.

CanREA believes this recommendation is reasonable and supported by sound rationale. We hope the IESO will agree. We would appreciate the opportunity to meet with you, along with our members, to discuss these recommendations.

Sincerely,



Brandy Giannetta
Senior Director, Ontario & Atlantic Canada
Canadian Renewable Energy Association