

# Feedback Form

## Long-Term RFP – June 9, 2022

### Feedback Provided by:

Name: Mike Fletcher

Title: Project Manager

Organization: City of Ottawa

Email: [REDACTED]

Date: June 23<sup>rd</sup>, 2022

Dear IESO,

These comments had previously been sent directly on an e-mail on June 14<sup>th</sup>, 2022. In response to your request which I received yesterday, I am now employing this form.

The City of Ottawa's community energy transition plan, Energy Evolution, was unanimously approved by Ottawa City council in October of 2020. The plan is based on Ottawa, as a community, doing its part to avoid global heating in excess of 1.5°C. The plan used is based on a pathways approach and uses a community energy and emissions modelling protocol developed by the World Resources Institute in collaboration with other expert agencies. The model is carbon-budget based and to the maximum extent possible uses local data, costs and climate conditions (current and projected) to develop actions which are expeditious and cost effective.

A key aspect to Ottawa achieving its targets requires that the scope two emissions in the electricity consumed by the community drops steadily. As most electricity will continue to be sourced from Ontario's bulk system, the City of Ottawa is keenly interested in the direction being taken by the IESO in many areas.

It is for this reason that I am following up on the issue of carbon pricing relative to the LT RFP (1). When I asked about this issue at the June 9<sup>th</sup>, 2022 engagement, Barbara Ellard informed me that carbon pricing would apply more to the energy aspect, as opposed to the capacity aspect of this procurement.

Although this answer may prove satisfactory, I have concerns. The problem I see is that Ontario employs an Output Based Pricing System whereby fossil natural gas fueled generation, for example, will not be subject to carbon pricing if its emissions are below 370t CO<sub>2</sub>e / GWh<sup>1</sup> (my reference is the IESO's APO).

Thinking about this during this procurement, this will mean that a dispatchable hydro electric development and a top performing fossil natural gas plant will face the same carbon pricing in this procurement even though the hydro plant has far lower emissions. This can't be right.

The province uses the Output Based Pricing System because gas generation is trade exposed. While this is true for the gas fleet generally, its not applicable to a procurement which will be paid for by the Ontario rate base. The capacity market is in place for the exclusive purpose of helping to ensure that the Ontario market has continuity of supply. As it is providing a benefit to the Ontario market only, a requirement that a different carbon pricing system apply to all bidders (including those outside the province) is reasonable and could be based on performance across all capacity providing technologies.

Additionally, with work underway to consider a fossil natural gas phase out, consideration should be made as to if new combustion-based capacity might eventually become stranded assets. Although combustion-based assets can be fuelled with renewable fuels, the availability of such fuels is limited and is also needed in other sectors (such as industry and building heating). The implication is that some combustion-based capacity might need to be dis-allowed. This could include this procurement.

I offer these comments in line with my mandate at the City of Ottawa. I'm at the IESO's disposal to discuss these issues further.

Regards, Mike

Reference:

1. 2020 Annual Planning Outlook. Independent Electricity System Operator. December 2021.

## Additional Mechanisms: Overview and Linkages

Topic	Feedback
Please provide any feedback on the IESO's overview of the Additional Mechanisms (Expedited Process, Same-Technology Expansions, FCA) and the linkages between acquisition mechanism (e.g., Expedited Process and LT1 RFP, or LT1 RFP and LT2 RFP)	

## LT1 RFP and Expedited Process: Mandatory Requirements and Rated Criteria

Topic	Feedback
Please provide any feedback on the Mandatory Requirements and Rated Criteria proposed for the LT1 RFP and Expedited Process.	

## LT1 RFP and Expedited Process: Proposed Contract Design

Topic	Feedback
Please provide feedback on the proposed contract design for the LT1 RFP and Expedited Process. The IESO welcomes feedback on the proposed approach for qualifying capacity as well as the proposed Capacity Payment Adjustment Mechanism.	

## LT1 RFP and Expedited Process: Proposed Term Lengths

Topic	Feedback
Please provide any feedback on the term length considerations proposed in addition to the incentive mechanism for the Expedited Process.	

## Deliverability Assessment

Topic	Feedback
Please provide feedback on the IESO's proposed process for deliverability testing and timelines.	

## Additional Acquisition Mechanisms: Same Technology Expansions

Topic	Feedback
Are the descriptions of the different kinds of upgrades/expansions clear and reflective of the options?	
What are the interdependencies between the existing contract, any upgrades and on-site expansions that need to be considered?	
Are any interdependencies missing/not fully captured?	
What are the considerations for participating in the Expedited Process or LT1 RFP?	
What other key considerations/risks need to be included to help ensure this initiative is successful?	

## Additional Acquisition Mechanisms: Forward Capacity Auction

Topic	Feedback
<p>Is expanding eligibility to variable generation, self-scheduling and co-located hybrid facilities in the FCA and ACA a priority for stakeholders?</p> <p>(Refer to slide 99)</p>	

Topic	Feedback
<p>Any feedback and suggestions on how the performance assessment framework may need to be modified to reflect the design differences?</p> <p>(Refer to slide 106)</p>	
<p>Any feedback on potential features that could be considered for the design of the FCA?</p> <p>(Refer to slide 108)</p>	
<p>Is expanding eligibility to variable generation, self-scheduling and co-located hybrid facilities in the FCA and ACA a priority for stakeholders?</p>	
<p>Any feedback and suggestions on how the performance assessment framework may need to be modified to reflect FCA design differences?</p>	
<p>What other design features should be considered to increase the attractiveness of a Forward Capacity Auction as part of IESO's suite of acquisition mechanisms?</p> <p>(Refer to slide 110)</p>	

## General Comments/Feedback