

# Feedback Form

## Resource Adequacy Engagement webinar – November 18, 2020

### Feedback Provided by:

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Following the November 18, 2020 Resource Adequacy engagement webinar, the Independent Electricity System Operator (IESO) is seeking feedback from stakeholders on the following items discussed during the webinar. Background information related to these feedback requests can be found in the presentation, which can be accessed from the [engagement web page](#).

**Please submit feedback to [engagement@ieso.ca](mailto:engagement@ieso.ca) by December 9, 2020.** 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.

## Feedback on Key Resource Adequacy Discussion Areas

Topic	Feedback
<ul style="list-style-type: none"> <li>Will the key discussion areas proposed cover the major areas that need to be discussed with stakeholders to develop and operationalize the framework? Are there any major areas missing?</li> </ul>	<p>Capital Power believes the key discussion areas proposed largely cover the major areas that need to be discussed as part of Resource Adequacy (“RA”). In addition to the four areas identified by the IESO (General Framework Details; Acquisition Target Setting; Planning Considerations; Transition) and further to comments provided on October 10, 2020, Capital Power suggests the IESO undertake to further define the guiding principles framing the RA discussion. This is important for establishing a common understanding of how the principles will be applied to the development of the RA framework and ensuring effective stakeholder consultation.</p> <p>As presented to stakeholders in September, the IESO has proposed to apply the Market Renewal principles to the RA discussion. To help illustrate the importance of further defining these principles, consider the principle of <i>competition</i> as an example. Capital Power believes <i>competition</i> under the RA framework requires, without limitation, the following features:</p> <ul style="list-style-type: none"> <li>Opportunities under the RA framework must be made open to all resource types.</li> <li>Revenue mechanisms must provide private investment with an opportunity to earn a return on (and of) capital while competing with rate-regulated suppliers and utilities.</li> <li>System planning must be transparent and system needs must be communicated appropriately in advance of planned procurements.</li> <li>IESO decisions to enter into sole source arrangements with suppliers in advance/in lieu of competitive procurements must be assessed and evaluated based on the expected effect on parallel and future competitions.</li> </ul> <p>It’s Capital Power’s view that without the features listed above, competition will suffer. It’s not yet clear if the IESO agrees. At this early stage of the RA discussion the IESO</p>

Topic	Feedback
	<p>has an opportunity to greatly improve the quality of stakeholder engagement by establishing those features it considers necessary for the principle of <i>competition</i>, and by similarly defining the remaining guiding principles proposed in September.</p>

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<ul style="list-style-type: none"> <li>• Are there key discussion areas that should be prioritized or discussed before others?</li> </ul>	<p>Capital Power proposes the IESO prioritize key discussion areas in the following order:</p> <ol style="list-style-type: none"> <li>1. <b>Define guiding principles.</b> Further to comments provided above, the value of identifying guiding principles is diminished if they are not adequately defined. Lack of clarity and common understanding regarding the meaning and application of the guiding principles risks undermining efforts to achieve effective stakeholder engagement.</li> <li>2. <b>Planning considerations.</b> Transparent planning is critically necessary for maximizing competition and efficiently acquiring resources.</li> <li>3. <b>General framework details.</b> As noted by the IESO, this key area should address the integration and relationship of the RA framework to the IAM; the effects of related engagement activities, new technologies and government policies; the integration of projects acquired through unsolicited proposals; and a description of how the general framework is consistent with the guiding principles.</li> <li>4. <b>Acquisition target setting.</b> The proposed methodology for setting and allocating targets across mechanisms should be demonstrably consistent with the general framework and guiding principles.</li> <li>5. <b>Transition.</b> Transition should be considered once the above key areas have been addressed. Potential transition mechanisms should be assessed for consistency with guiding principles and for their potential effect on existing and future competitive</li> </ol>

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	<p>processes. Transition mechanisms should neither lead to the discriminatory treatment of resources nor should they unfairly undermine competitive processes.</p>

## General Comments/Feedback

Capital Power welcomes the opportunity to provide comments on the IESO's RA framework for Ontario. The IESO's consideration of stakeholder comments is appreciated, as is the noted removal of references to specific resource types previously attached to the proposed procurement streams. It is Capital Power's understanding that this change reflects the IESO's position that competitive processes should, wherever possible, be made open to all resource types. Capital Power agrees with this and strongly believes that transparent system planning and open competitive processes for contracts will attract efficient and cost-effective investment.

In addition to the comments provided here and previous comments provided on October 10, 2020, Capital Power notes that governance and transparency challenges continue to raise concerns. The IESO's current and past efforts on these issues are appreciated, but further meaningful improvements are within reach. Governance improvements don't require that each stakeholder be satisfied with ultimate design decisions, but they do require increased transparency and clarity around how decisions are made.

The recently announced extension of the Lennox contract provides an opportunity to again critically address the importance of governance and transparency. At the November stakeholder session the IESO stated that policy considerations, market power and reliability concerns influenced its decision to negotiate a contract extension for Lennox rather than have it compete in the capacity market. These statements may be true, but without further explanation they raise concerns regarding how future competitive processes will be affected by the ongoing need to address Ontario's market structure. For example, market power mitigation is applied in capacity markets and it's unclear why it could not have been applied here. (As was pointed out by another stakeholder, market power concerns are also not expected to diminish over time.) It's also not clear whether the Lennox contract extension is solving a system capacity need or whether it is mostly resolving a constraint affecting reliability. Details such as these are critical for establishing and maintaining stakeholder confidence in the processes governing procurement and IESO operations more generally. While RA contract/commitment durations have not yet been established, it's imperative that the processes for identifying underlying needs and both soliciting and assessing available bids be undertaken in as transparent a manner as possible while remaining as agnostic to resource age and type. If done successfully, this should ensure that those projects that can meet the identified need in the most cost-effective manner can be brought forward and prevail.

Thank you for considering the comments provided here, as well as those provided in October. The Capital Power team is available to discuss these and any other matters related to the RA engagement while looking forward to further stakeholder engagements in 2021.

