

Leonard Kula
Vice President, Planning, Acquisition and Operations, and Chief Operating Officer
Independent Electricity System Operator
1600-120 Adelaide Street West
Toronto, ON M5H 1T1

May 13, 2021

Dear Leonard,

This submission responds to the Independent Electricity System Operator (IESO) April 22, 2021 presentation, *Resource Adequacy Engagement*¹, and more generally on the development of the components within the high-level Resource Adequacy Framework (the "Framework").

Power Advisory has coordinated this submission on behalf of a consortium of renewable generators, energy storage providers, and the Canadian Renewable Energy Association (the "Consortium"²).

The Consortium continues to support the Framework, and looks forward to working with IESO, market participants (MPs), and other stakeholders towards defining the details within the Framework through open and transparent engagements.

Distinguishing Between Engaging on the Framework Itself and Specific Components within the Framework

The Consortium supports IESO's engagement on specific components within the Framework, as is the case regarding potential design changes to future Capacity Auctions and scope of the forthcoming Request for Proposals (RFP) to meet Ontario's mid-term supply needs – both were discussed during the April 22 presentation. However, IESO needs to remain focused on continual stakeholder engagement regarding the Framework itself.

The Consortium recommends that the following aspects of the Framework need to be continually discussed with stakeholders, throughout 2021 and 2022, towards defining the 'next level' details within the Framework.

- General principles to guide and link resource eligibility (i.e., fuel-type, technology, supply attributes/capabilities, in operation, remaining contract term, new development, etc.) to procurement mechanisms (i.e., Capacity Auction, RFP, bilateral contract through sole source negotiation, Reliability Must-Run (RMR) contract, etc.) to meeting power system needs (as defined

¹ See <https://www.ieso.ca/en/Sector-Participants/Engagement-Initiatives/Engagements/Resource-Adequacy-Engagement>

² The members of the Consortium are: Canadian Renewable Energy Association; Axium Infrastructure; BluEarth Renewables; Boralex; Capstone Infrastructure; Cordelio Power; EDF Renewables; EDP Renewables; Enbridge; ENGIE; Evolgen (by Brookfield Renewable); H2O Power; Kruger Energy; Liberty Power; Longyuan; NextEra Energy Canada; Pattern Energy; Suncor; and wpd Canada.

within IESO power system planning documents (e.g., Annual Planning Outlook, etc.) and Annual Acquisition Reports)

- Design of programs for non-MP distribution-connected renewable generators and storage facilities with expired contracts, as expiry occurs in 2024 for some of these generators – on balance, it remains commercially and technically infeasible for non-MP distribution-connected renewable generators and storage facilities to become registered MPs for participation within IAM
- More specificity regarding principles lending needed guidance to provide generators and storage providers with revenue opportunities within IAM (e.g., energy, capacity, ancillary services, etc.) as well as outside of IAM but administered by IESO (e.g., contracts, etc.) post expiry of contracts, so these generators and storage providers can make timely decisions on future operations, investments, etc.
- Reforms to governance, decision-making, and recourse framework within IAM relating to resource adequacy is needed to improve transparency and to ensure fairness will be afforded to all parties (e.g., MPs, other stakeholders, customers, IESO, etc.)³

Learnings from U.S. FERC Resource Adequacy Technical Conference

On March 23, 2021, the Federal Regulatory Energy Commission (FERC) convened a resource adequacy technical conference that focused on the role of the existing capacity market constructs in the Northeast U.S.⁴ within an environment where state policies increasingly affect entry and exit of supply resources.⁵ As states continue to mandate policies resulting in government agencies and/or utilities contracting for non-emitting resources (e.g., renewable generators, storage, etc.), the impacts on wholesale electricity markets (particularly capacity markets) has been an increasing issue – mainly for carbon emitting incumbent generators. FERC held their first resource adequacy technical conference regarding this issue along with broader constructs and challenges on May 1 and 2, 2017.

The Consortium recommends that the discussions, issues, and potential solutions from these FERC technical conferences should be kept in mind when further developing the Framework and applying its components (e.g., administering procurement mechanisms). The following areas provide clear analogies and applications to Ontario's experience in ensuring resource adequacy, and should be considered in the future.

- 'Out of market' contracting of non-emitting resources will continue because of policy objectives, declining production costs, and customer choice, where 'corporates buyers' are now contracting

³ Needed reforms to the governance, decision-making, and recourse framework within IAM are broader than resource adequacy, therefore distinct stakeholder engagement outside of the Resource Adequacy Engagement is also recommended. However, concerning resource adequacy, this issue still requires specificity within the Framework.

⁴ NYISO, ISO-NE, and PJM administer capacity markets

⁵ See <https://www.ferc.gov/news-events/events/technical-conference-regarding-resource-adequacy-evolving-electricity-sector>

for renewable energy in rapidly increasing quantities in addition to government agencies and utilities within the U.S.

- Because of the rapidly changing resource mix impacting the economics of wholesale electricity markets (particularly capacity markets), economic signals resulting in effective entry and exit of resources are becoming increasingly distorted, therefore causing many changes in market design and rules
- Building on the above point, if changes to wholesale energy, ancillary services, and capacity market design and rules are not done carefully, further distortions can result – for example, some customers may end up paying more for electricity based on ‘double-counting’ contracted resources and resources procured through capacity markets

The Consortium suggests that the above areas must be factored into how the details within the Framework and its components (e.g., procurement mechanisms) will be designed and then administered.

The Consortium will be happy to discuss the contents of this submission with you at a mutually convenient time.

Sincerely,



Jason Chee-Aloy
Managing Director
Power Advisory LLC

cc:

Chuck Farmer (IESO)
Candice Trickey (IESO)
Barbara Ellard (IESO)
Shawn Cronkwright (IESO)
Brandy Giannetta (Canadian Renewable Energy Association)
Elio Gatto (Axium Infrastructure)
Roslyn McMann (BluEarth Renewables)
Adam Rosso (Boralex)
Greg Peterson (Capstone Infrastructure)
Paul Rapp (Cordelio Power)



David Thornton (EDF Renewables)
Ken Little (EDP Renewables)
Lenin Vadlamudi (Enbridge)
Carolyn Chesney (ENGIE)
Julien Wu (Evolugen by Brookfield Renewable)
Stephen Somerville (H2O Power)
JJ Davis (Kruger Energy)
Deborah Langelaan (Liberty Power)
Jeff Hammond (Longyuan)
David Applebaum (NextEra Energy)
John O'Neil (Pattern Energy)
Chris Scott (Suncor)
Ian MacRae (wpc Canada)