

Feedback Form

Resource Adequacy – August 26, 2021

Feedback Provided by:

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Date: September 9, 2021

To promote transparency, feedback submitted will be posted on the Resource Adequacy webpage unless otherwise requested by the sender.

Following the August 26, 2021 Resource Adequacy webinar, the Independent Electricity System Operator (IESO) is seeking feedback from stakeholders on the following discussed items. 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 by September 17, 2021. If you wish to provide confidential feedback, please mark the document "Confidential". Otherwise, to promote transparency, feedback that is not marked "Confidential" will be posted on the engagement webpage.

Capacity Auction – Review of Performance Obligations and Assessment Framework Recommendations

Topic	Feedback
<p>What questions or feedback do you have on Proposed Change #1 – Test to Capability for All Resources</p>	<p>Under the current framework which requires capacity to be offered and available between 12:00 – 21:00 EST in the summer and 16:00-21:00 in the winter, a resource can be tested during that period for a duration up to four consecutive hours. Can the IESO please explain what flexibility a resource will have to demonstrate that it can provide the amount of capacity during that period.</p> <p>Will resources have flexibility of when requested to perform a capacity check test, which hours they will demonstrate the ability to produce their ICAP capacity amount, or will the IESO dictate which hours the energy must be produced in? More specifically if the IESO requests 4 hours of energy from 15:00 – 19:00 at 100 MW, and a facility instead provides 100 MW from 15:15 – 19:15, will the IESO view this as a successful capacity check test? How important are the exact times that the IESO performs a capacity check test vs. that the times it is requesting the test to be performed is within the timelines of the capacity commitment obligations? Northland notes that other ISOs permit resources to schedule the timing of their capacity check test within the allotted obligation hours on a selected day.</p>
<p>What questions or feedback do you have on Proposed Change #2 – Changes to Thresholds</p>	<p>It’s not clear why the IESO is proposing different thresholds for different types of resources. If the IESO would like to create a level playing field, then do so by providing the same requirements/flexibility to all resource types. Why is a different threshold for HDR resources and all other resources necessary and in the best interest of the IESO and its customers?</p>

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<p>What questions or feedback do you have on Proposed Change #3 – Future De-Rates</p>	<p>The IESO states “Resources may request a second test at IESO’s discretion (e.g., only for truly unforeseen or extraordinary circumstances that the participant could not have made reasonable efforts to mitigate)” Can the IESO please specify what constitutes “truly unforeseen or extraordinary circumstances”?</p> <p>Come 2022, Capacity Auction resources will have their ICAP capacity qualified on a UCAP basis. This process will rely on differing performance metrics based on the resource type in question. For instance, gas-fired generators will be qualified based on their historic forced outage rate, while HDR resources will be qualified based on their historic capacity check test performance. In its August 26 presentation, the IESO proposes further constraining UCAP qualification by a de-rate factor, which is determined based on historic capacity check test performance. Please confirm whether capacity check test performance will serve to constrain HDR resources’ UCAP through the initial UCAP qualification process, and then again through the de-rate factor. This would ensure equitable treatment across resource types in that all resources are subject to the initial UCAP qualification process and the de-rate factor.</p>
<p>What questions or feedback do you have on Proposed Change #4 – Common Notification</p>	

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<p>What questions or feedback do you have on Proposed Change #5 – Incenting Performance at the Right Time</p>	<p>Which criteria must be met for the IESO to declare an Emergency Operating State Control Action (EOSCA)? And which criteria must be met for the IESO to activate Capacity Auction resources under an EOSCA?</p> <p>Under an EOSCA, will notifications follow the same procedure as during non-emergency times (i.e. day-ahead notification required to activate)?</p> <p>Can the IESO clarify that if a forced outage occurs for a generator (i.e. not predictable) during a capacity check test or emergency activation that this would not result in any financial claw backs/penalties? Issuing a penalty/claw back would appear to double count the purpose of using EFORd in the calculation of UCAP.</p>
<p>What questions or feedback do you have on Proposed Change #6 – Availability Assessment True-Up</p>	
<p>General comments and feedback</p>	<p>Click or tap here to enter text.</p>

Medium-Term RFP

Topic	Feedback
<p>What questions or feedback do you have on the Medium-Term RFP proposed design consideration on Contractual Considerations</p>	<p>Northland is supportive of aligning the UCAP definition as developed through the capacity auction consultation with the Medium-Term RFP (MT RFP). We further support a pay-as-bid structure and non-performance penalties for resources missing the required in-service date. We recognize the IESO’s desire to move towards a shorter-term commitment period. However, while a three-year term may work for certain resources with little to no capital cost investments, facilities with more significant investments or longer-term obligations could find this term challenging. Furthermore, deferring</p>

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	<p>term commencement until 2026 creates unneeded risk for participating facilities who will only have revenue clarity for 6-12 month intervals in the interim period, which on their own are not expected to provide sufficient revenue to pay for capital investments or major maintenance expenses</p>
<p>What questions or feedback do you have on the Medium-Term RFP proposed design consideration on Resource Eligibility</p>	<p>The Resource Eligibility requirements proposed by the IESO are appropriate given the need to retain existing off-contract resources, as identified by the IESO in its latest Annual Planning Outlook.</p>
<p>What questions or feedback do you have on the Medium-Term RFP proposed design consideration on Proposal Evaluation</p>	<p>The use of Rated Criteria (such as 5-minute dispatchability) will ensure that resources procured via the RFP will provide maximum value to the system and ratepayers.</p>
<p>What questions or feedback do you have on the Medium-Term RFP proposed design consideration on Contract Expiry and Bridging</p>	<p>The lack of any bridging mechanism for projects that are successful in the medium term RFP creates unnecessary risk to project delivery. Even projects that are successful in the RFP still face revenue uncertainty for the interim period, as the capacity auction only provides 6-12 month terms. This means that successful projects in the RFP may still face millions of dollars of losses annually prior to the 2026 in service date if they don't clear the auction (or if auction prices are insufficient), putting in question their ability to continue to operate the plant.</p> <p>On slide 24 the IESO states, "Resources may opt to terminate their contract early to align with CA commitment periods or the start of the MT RFP commitment period, <u>or they may opt to participate in the CA in the commitment period in which their contract expires.</u>" Does the IESO intend to allow resources still on contract during a Capacity Auction commitment period to participate in that period's auction?</p>

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	<p>Allowing a resource to participate in the Capacity Auction when its contract extends into the commitment period (even partially) will inappropriately suppress the auction price. The contracted resource will receive non-market revenues that its competitors in the auction do not have access to, providing the contracted resource with a competitive advantage: unlike its competitors, it can bid below its costs knowing that it receives out of market payments to compensate. The result will be below-cost offers from contracted resources and a suppressed market price that fails to reflect the marginal cost of maintaining capacity.</p> <p>The issue of subsidized (i.e. contracted) resources inefficiently suppressing capacity prices is a major issue in several U.S. jurisdictions right now, to the point where FERC has mandated market mitigation measures, such as the use of Minimum Offer Price Rules for subsidized suppliers.</p> <p>It would be inappropriate for the IESO to allow subsidized resources to participate in Ontario's Capacity Auction without appropriate mitigation.</p>
<p>What questions or feedback do you have on the Medium-Term RFP proposed Timelines and Milestones</p>	<p>Click or tap here to enter text.</p>
<p>What questions or feedback do you have on the Medium-Term RFP UCAP approach outlined in the presentation materials</p>	<p>Click or tap here to enter text.</p>
<p>What areas of the draft RFP and Contract do you want to see more details on in the September engagement session, ahead of the issuance of draft documents?</p>	<p>Click or tap here to enter text.</p>

Topic	Feedback
Do you have a resource that is eligible, or may be eligible, to participate? If so, please provide feedback specific to your resource based on the proposed design considerations. Please indicate if you would like to meet with the IESO to discuss eligibility or any other aspects of the Medium-Term RFP.	Northland Power does have resources that will be eligible to participate in the medium term RFP and would like the opportunity to discuss the eligibility and other aspects with the IESO.
General comments and feedback	

General Comments/Feedback

Overall Northland Power supports the approach put forward by the IESO with the Medium Term RFP for resources with low capital investment thresholds, but longer term would be required to enable material investments, upgrades, uprates or expansions. Furthermore, changes should be made to reduce the risk in the transition period between contract expiry and the term start date in 2026.