

Feedback Form

Small Hydro Program Design, March 2022

Feedback Provided by:

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Date: April 14, 2022

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

Following the **(date)** Small Hydro Program Design Outreach Session, 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 **(date).** 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.

Small Hydro Program – Engagement Approach

Topic	Feedback
What questions or feedback do you have about the IESO’s engagement approach?	Will the IESO be conducting specific engagement with indigenous communities?

Small Hydro Program – Principles & Goals

Topic	Feedback
What questions or feedback do you have on the design goals for the program?	What are the “other procurement mechanisms” to which some small hydro facilities might transition to in future? Will there be a specific procurement design for indigenous owned facilities that are owned by the First Nation Communities?
What questions or feedback do you have on the principles that the design is founded on? (focus on value, promote competition, incent market-driven operations and allow for flexibility in future system operation).	Is the intention to incent indigenous participation in hydroelectric projects in which indigenous communities do not currently participate? If so, how? If not, why not?

Small Hydro Program – Design Concepts

Topic	Feedback
What questions or feedback do you have relating to Design Concept #1: Capacity Payments	What method will be used to determine capacity (e.g., ICAP, UCAP, ELCC, other?) Depending on the method, will capacities be annual? If payments depend primarily on installed capacity, how will the IESO incent investment in renewals that increase annual energy but not installed capacity and/or new investment opportunities for First Nations?
What questions or feedback do you have relating to Design Concept #2: Dispatchability	None of our facilities are capable of this concept.
Is your facility currently dispatchable?	No.
If your facility is currently not dispatchable, is there an interest in becoming dispatchable?	There may be an interest depending on the additional dispatchability value. Dispatchability

Topic	Feedback
What would be required to become dispatchable and what are the barriers (if any)?	would require creation of a larger head pond and adjustments to the WMP, among other barriers.
What questions or feedback do you have relating to Design Concept #3: Tranching	How specifically will the program incent and reward indigenous participation? How will the IESO value location and connection type? We believe that there should be a higher rate for indigenous owned facilities.
What characteristics would you consider to be defining features of your operations or facilities as it relates to potential criteria for contract payments?	Energy, indigenous ownership
What questions or feedback do you have relating to Design Concept #4: Investment?	Some hydroelectric resources DO NOT have fully amortized capital assets due to low historical PPA payments. This site has another 20 yrs., to become fully amortized due to low rates paid.
Have you considered adding an on-site battery to your facility? If so, what stage of development are you in? Is there potential for Indigenous and/or community ownership?	No consideration to date of on-site battery as this would depend on incentive for dependable capacity in the new PPA. Tying indigenous participation incentives to on-site battery additions may be something the IESO needs to investigate further.
Are you aware of your sustaining capital requirements over the next 5 years?	Currently verifying sustaining capital requirements for the coming years.
Have you considered any upgrades or capital projects at your facility? If so, what stage of development are you in? Is there potential for Indigenous and/or community ownership?	Yes, actively investigating capital investment to increase energy production by up to 40%. Currently in pre-feasibility stages. Other Capital investments are in the planning stage, pending sufficient resources. Facility already has indigenous ownership.
What questions or feedback do you have relating to Design Concept #5: Contract Length?	Financing of investments to increase capacity and/or annual energy may require longer contract terms. (example 20 yrs or an optional renewal of the 10 yr.) Are there circumstances where the IESO will consider longer terms?

Topic	Feedback
What questions or feedback do you have relating to a program review in 2026?	What sort of “new realities” is the IESO anticipating may occur?

Small Hydro Program – Other Design Ideas

Topic	Feedback
Are there any other design ideas for the development of a Small Hydro Program that should be considered?	A combination of incentives for battery storage and for indigenous participation could see the development of more on-site battery storage at facilities that currently lack indigenous participation.

Small Hydro Program – Challenges

Topic	Feedback
Are there challenges that you foresee in transitioning to a new contract structure? What are these challenges?	Yes. Current contract rates are very low, resulting in larger unamortized assets. Additional investment could improve long-term energy generation but may require longer than 10-year term to finance this investment.
If you expect any challenges in transitioning to a new contract structure, do you have any suggestions on how the IESO can assist in the transition or reduce any anticipated barriers?	Sufficient PPA pricing and/or potentially longer contract term than 10 years, or with renewal options. Indigenous and battery incentives could also support long-term financial sustainability of existing assets.

General Comments/Feedback

Being a 100% owned Indigenous facility the rates need to be reflective of the incentive for community benefits. The contract should be more than 10 yrs, A 20 yr. contract would be more likely to support capital investment. In the past there was a 10 yr tax break to new facilities. This should be continuous for Indigenous owned facilities, in fact we believe that we should not be paying water and municipal taxes to the province.