

Feedback Form

Small Hydro Program Design, March 2022

Feedback Provided by:

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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?	WNPG appreciates the approach the IESO has undertaken with the engagement process. The product produced could be a mutually beneficial program specifically for Ontario's small hydro community and rate payers

Small Hydro Program – Principles & Goals

Topic	Feedback
What questions or feedback do you have on the design goals for the program?	Even having participated in all of the SHP webinars, it is still very unclear how the electricity and non-electricity benefits of hydro will be recognized so that required ongoing and long-term capital requirements for our perpetual assets can be maintained with short limits on contract length and revenue uncertainty. Program seems far too complex for smaller single asset type operations originally designed to produce energy as and when water is available. A simple bundled capacity and energy contract should be considered
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).	All operations are unique in design and attributes depending on the unique location and environmental features where they are constructed. As such individually, they contribute more in some of the program design areas and possibly less in other. As we move forward both baseload and peaking generation will be valuable so attempting to turn an excellent baseload facility to a peaking facility could be like trying to turn a Corolla into a racecar. Some equipment is not meant to race but is durable and reliable at a steady pace. Recognizing these types of operations and the value they provide including excellent water management, the environmental benefits of shoreline stability by maintaining consistent and stable water levels, enhancing public safety and recreational areas. Operating the facilities in

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	<p>the manner originally designed for provides the additional benefit of longevity (fewer breakdown or maintenance). It is important to recognize that for an overall system to be effective you need to solid mix of facilities that can provide baseload or peaking capabilities. It doesn't make one more valuable than the other but the program in its initial construct seems to lean in that direction</p>

Small Hydro Program – Design Concepts

Topic	Feedback
<p>What questions or feedback do you have relating to Design Concept #1: Capacity Payments</p>	<p>“Capacity Payments will be designed to sustain ongoing investments” This would require that such payments be equivalent to the revenues generated by current contracts based on energy. However, it is very unclear presently what the capacity payment will be except that it will be a multiplier of a capacity pricing determined in the future. It is also unclear how the capacity of a site will be determined on a month-by-month basis adding more uncertainty. Uncertainty equates to risk. Risk equates to higher cost of borrowing, or lack of borrowing which leads to lack of investment. While the concept seems interesting, given the size of the operations, seems to be adding additional complexity and uncertainty</p>
<p>What questions or feedback do you have relating to Design Concept #2: Dispatchability</p>	<p>Existing contracts recognize that some facilities (run of river operations for one) have water management responsibilities (within regulatory restrictions) and produce energy while balancing multiple other constraints. This proposed design concept however seems to punish non-dispatchable facilities (less valuable) which is not correct. There are other operators on our river system with which we work harmoniously to manage system wide lake and water levels. Dispatching our facility also adds risk to operations (more frequent start / stops</p>

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	leads to failures), flood control issues, public safety concerns etc.
Is your facility currently dispatchable?	No
If your facility is currently not dispatchable, is there an interest in becoming dispatchable? What would be required to become dispatchable and what are the barriers (if any)?	See above
What questions or feedback do you have relating to Design Concept #3: Tranching	While an interesting concept, payment for individual resource or factors for small operations adds complexity and uncertainty. The Small Hydro Program should be a straight forward simple certain program.
What characteristics would you consider to be defining features of your operations or facilities as it relates to potential criteria for contract payments?	Revenue quantity and certainty needs to be preserved to maintain infrastructure and energy delivery
What questions or feedback do you have relating to Design Concept #4: Investment?	Hydroelectric facilities are perpetual assets with long investment horizons. The planning, design, implementation and return of projects are long term events to ensure the long term benefit the facility provides to our community, our stakeholders and energy for the province. Complexity, uncertainty and risk are an enemy of investment. Program needs to be designed so that it is simple and certain so that project are bankable and hence executable
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?	Any project that provides a benefit and a return given capital restraints could be considered
Are you aware of your sustaining capital requirements over the next 5 years?	Yes
Have you considered any upgrades or capital projects at your facility? If so, what stage of development are you in? Is there potential for	Click or tap here to enter text.

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Indigenous and/or community ownership?	
What questions or feedback do you have relating to Design Concept #5: Contract Length ?	As may have been noted throughout these comments, investments in waterpower assets are necessary, ongoing and require long forward periods or commitments. As such, long-term commitment concepts should include contract length of >10 years and bundled contracts of capacity and energy. The benefit to Ontario is proven ongoing baseload generation at known pricing. In addition, investment can continue on the assets with confidence and certainty
What questions or feedback do you have relating to a program review in 2026?	Given the need for ongoing investment, the program review in 2026 puts ability to secure capital on hold and hence a stop on investment. The forward period needs to be longer possibly with the ability to recommit to contracts once the program is finalized. The certainty will allow operation to continue moving forward with investment plans

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?	Keep it simple. Collectively the small hydro producers represent as very small portion in the giant Ontario grid but play a big part in their local community. The program should be designed to reflect the value and contribution of these perpetual assets. The focus should be on providing value for ratepayers while providing a reasonable revenue stream to allow small facilities to continue to operate. Designing an overly complex program serves neither the ratepayer or facility owners and operators

Small Hydro Program – Challenges

Topic	Feedback
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Are there challenges that you foresee in transitioning to a new contract structure? What are these challenges?	Providing the program is fair and considers input, transitioning should not be an issue
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?	Click or tap here to enter text.

General Comments/Feedback

West Nipissing Power Generation is a small single site hydroelectric municipally owned facility on the Sturgeon River watershed. For years, under various other ownership, this site has produced clean hydroelectric energy initially for pulp and paper but following the closure of the manufacturing mill and the generating asset purchase by the municipality it continues to provide employment, environmental, recreational and financial benefit to the municipality and its taxpayers while delivering clean energy to the Ontario grid. In a large part, this is due to the vision of the Municipality but also the IESO in providing some financial certainty and access to the energy market for our small asset. As mentioned many of these small assets continue to operate many years after first envisioned, designed and built by early industry leaders by the continuous and ongoing financial reinvestment by the various caretakers. This can only continue if the current program being discussed and designed understands the perpetual nature of the assets and the continuous capital commitment required for ongoing minor and major maintenance. The long-term benefits assets like ours can provide to not only the energy security of our Province but the myriad of other non-energy benefits in and around the watersheds we help to manage. The program needs to be simple and fiscally fair, contracts need to be of sufficient length to support CAPEX requirements and duration, recognition that all facilities have their own strengths and weaknesses and while potentially able to make changes or improvements, those capital dollars must be weighed against the investments necessary to maintain asset reliability