

Feedback Form

Small Hydro Program Workshop, May 19, 2022

Feedback Provided by:

Name: Scott Newton

Title: General Manager

Organization: Mississippi River Power Corp.

Email: [REDACTED]

Date: June 1, 2022

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

Following the (Thursday, May 19, 2022) 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 Thursday, June 2nd. To promote transparency, feedback provided will be posted on the engagement webpage.

Small Hydro Program – Capacity Payments

	Topic	Feedback
1.1	What feedback do you have on the payment structure as it relates to a capacity payment plus an energy payment with a floor and a ceiling?	Many small hydro companies in Ontario are managed by a very small staff (ours is 1 management and 2 part-time operations and maintenance). Keeping the payment processes simple is key. We operate our facility to maximize output throughout the year, but as a run-of-river facility, we have no operational flexibility.
1.2	What feedback do you have on the assumptions for the reference case used in developing the payment structure? Specifically, what feedback do you have on the reference case regarding: an appropriate split between the capacity payment revenue versus the energy payment revenue; the assumed capacity factor; the energy floor price?	On many river systems, it would be impossible for run of river plants to meet the floor for several months throughout the summer and fall. A seasonal capacity factor would make much more sense than an annual capacity factor. Our capacity factor drops nearly 75% from our highest to lowest month, due to seasonal flows in the river. We would like to see a higher portion of the payment be from energy. Too high of a percentage for capacity provides a disincentive to generate at times.
1.3	What feedback do you have regarding setting the fleet wide capacity factor benchmark at 40%? (Below this capacity factor, capacity payments will be reduced)	Creates a penalty for something outside of the control of run-of-river stations. There seems to be no associated reward for producing higher than expected generation either. Seems unfair. We would prefer to see seasonal capacity factors specific to each facility.
1.4	What feedback do you have regarding the energy ceiling concept and price?	Most run of river stations on river systems in this province use the water as it flows down the river and have no control over how much or how little they can use. There are dry years, where our revenue is lower and wet years where the revenue is higher, which balances out those low years. The ceiling will take away that natural balancing and hurt our ability to budget for capital repairs.

	Topic	Feedback
1.5	What feedback do you have regarding an appropriate percentage of the capacity factor for which an escalation factor (Ontario all-items CPI) should apply? What is the justification for the percentage you are recommending?	Capacity payment should be indexed at 100% of CPI to allow generators to continue investing in their stations through equipment upgrades and replacement, as well as dam repairs, etc.

Small Hydro Program – Dispatchability

	Topic	Feedback
2.1	What feedback do you have on the approach to enhance payment for dispatchable facilities (increase capacity payment by X%, increase ceiling price or revenue share above ceiling price)? In your response, please note if you are a dispatchable facility / intent to become one as this design feature may only impact a very small portion of facilities.	We are not dispatchable and have no option to do so.

Small Hydro Program – Tranching

	Topic	Feedback
3.1	What feedback do you have regarding the recognition of economies of scale by providing an adjustment to the capacity payment of facilities under 1MW? What feedback do you have regarding an appropriate adder (in terms of a % of the capacity payment)?	Although our facility has a capacity of greater than 1MW, we support the idea of a tranche for those facilities. An adder of 10% seems appropriate to allow additional revenue for repairs and upgrades to continue the life cycle of the station. Additional tranches or adders should be considered for newer facilities, built under newer regulations and requirements, that have contracts paying more than HCI (ie: RESOP, HESOP).

Small Hydro Program – Contract Length

	Topic	Feedback
4.1	What feedback do you have regarding the option to terminate existing contracts and sign into the program at any time, with all contracts ending 20 years from program opening (ie. May 2043), regardless of when a contract is signed?	Generally supportive of this idea.

Small Hydro Program – Community, Conservation Authority & Indigenous Ownership

	Topic	Feedback
5.1	What feedback do you have on a minimum Indigenous, Conservation Authority or Community ownership stake to qualify for an enhanced payment?	A minimum of 10% ownership is appropriate, with the adder being reflective of the actual percentage. For example 10% Indigenous, CA or Municipal ownership gets a 1% adder, and 100% ownership gets a 10-20% adder.
5.2	What feedback do you have on the maximum value of an adder (in the case of 100% ownership by an Indigenous Community, Community or Conservation Authority)?	No less than 10% adder for 100% ownership by Indigenous Community, Conversation Authority, or Municipal (community). A 20% adder would bring rates close to RESOP & HESOP.

General Comments/Feedback

	Topic	Feedback
6.1	Please provide any additional comments or feedback that would assist in the design, development and implementation of a Small Hydro Program	A stated goal of the IESO was not to extract value from contracts. If the target is to reach the equivalent of HCI rates then many generators will be losing significant value (about 30% in our case). Significant adders to the base case would be required to allow new stations and redevelopments on contracts such as RESOP and HESOP to continue operations, maintain assets and plan for significant repairs, replacements. Many facilities in the province own or operate several dams, not only for hydro generation, but for flood control, recreation and other factors. Maintaining or replacing aging dams is extremely

Topic	Feedback
	expensive, but of great importance for the communities that we operate in. This should be factored in to the payment considerations.