

Feedback Form

Small Hydro Program Workshop, May 19, 2022

Feedback Provided by:

Name: Greg Carello

Title: Operations Manager

Organization: West Nipissing Power Generation

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?	The payment structure though much improved from earlier proposals is still more complex than an energy only contract. The whole ceiling/ floor, negative pricing capacity factor, ownership structure etc. for relatively small hydro generators seems overkill. Creating a model to try to compare actual revenue from previous years vs. revenue that would have been received by new model showed how overly complex this is
1.2	What feedback do you have on the assumptions for the reference case used in developing the payment structure? Specifically, what feedback do have on the reference case regarding: an appropriate split between the capacity payment revenue verses the energy payment revenue; the assumed capacity factor; the energy floor price?	While there is a claim that this new model will be on average a revenue neutral scenario is quite false in our situation Using years that represented high capacity factors, normal capacity factors and low capacity factors and estimating revenue from model to the years actual revenue all showed less revenue than actual. The best case in a low capacity factor year was 7.5% lower revenue and in a high capacity factor year was 31.6% lower. This includes factoring in a 5% premium for municipal ownership and nameplate capacity for capacity payments. If moving to a more market based energy price is the direction, the capacity payments value must be increased to remain a near revenue neutral position or a combination of increased capacity payment and increased floor energy price
1.3	What feedback to you have regarding setting the fleet wide capacity factor benchmark at 40%? (Below this capacity factor, capacity payments will be reduced)	Being a run of river facility, 40% capacity factor may be somewhat high. In our case, in the 36 months examined there were only 3 months that fell below the 40%. However, they were all due to very low river flows. As most run of river facilities would suffer similar summer situations, possibly a 25 – 30% capacity factor in the summer period would ensure facilities were not penalized for factors beyond their control
1.4	What feedback do you have regarding the energy ceiling	Conceptually it is okay though the floor and ceiling-starting points may be too low. The price would need to be indexed to CPI at 100% particularly in the case of a 20 year contract

	Topic	Feedback
	concept and price?	
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?	100% CPI escalation should be applied to both the capacity payment and energy payment. These assets require continuous and sometimes substantial capital investment to maintain the efficiency and reliability required in our electrical system. Less than 100% escalation will erode the ability of the asset to continuously invest and ensure the reliability and longevity of the site

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.	Presently we are not a dispatchable facility. However all approaches seem reasonable and different sites may prefer different approaches. While currently not able to participate in dispatchability, as technology or other solutions become less cost prohibitive, it would be reevaluated and possibly allow us to benefit from this feature

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)?	Fully support adjustment of capacity payment for facilities under 1 MW. Even though generating capacity is lower some of the same risks and responsibilities around the facility and river exist in so far as public safety, water management, environmental concerns etc. The adder should be greater than 5% proposed, possibly a 10 – 15% adder

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?	20 year length is reasonable considering to forward looking and planning required. However, don't agree that the 20 year clock should start from 2023. We have made substantial investment to improve the asset and require current level of revenue to recover the funds borrowed to execute the improvements. Early termination of current agreement with negative revenue prospects would be fiscally irresponsible. The 20 year length is correct, but start time should be at termination of existing contract

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?	As a municipal owned facility very much in favor for an enhanced payment. Being a partner with our community has benefits far beyond the economic benefits from the generation of electricity. The employees feel a sense of pride in their facility, take public safety very seriously as well as providing recreational areas and environmental benefits in their water management tasks
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)?	This adder should be a minimum of 10%

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	As noted above, the most serious deficiency in the program as currently outlined, is the serious negative revenue consequence. The current program seems to punish high capacity factor facilities (>30% projected loss in revenue in a high capacity year). In addition, signing a contract immediately and losing the revenue benefit from investing in the facility during the current contract period is a non-starter. The 20 year term must start at the end of the current contract and if it is indeed the intention of being a revenue neutral program there needs to be some improvements made to capacity or energy payments to narrow the gaps for high capacity factor facilities or provide other revenue stream options for run of river facilities (public safety recognition, environmental benefits, reliability or uptime benefits etc.)

