

# Feedback Form

## IESO Reliability Standards Review – December 14, 2020

### Feedback Provided by:

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Following the December 14, 2020 webinar on IESO Reliability Standards, the IESO is seeking feedback from participants on the proposed methodology and approach outlined in the presentation with respect to intertie support (non-firm imports). The IESO will work to consider feedback and incorporate comments as appropriate and post responses on the engagement webpage.

The referenced presentation can be found under the December 14, 2020 entry on the [Reliability Standards Review webpage](#).

**Please provide feedback by January 18, 2021 to [engagement@ieso.ca](mailto:engagement@ieso.ca).** Please use subject: *Feedback: Reliability Standards Review*. To promote transparency, this feedback will be posted on the [Reliability Standards Review webpage](#) unless otherwise requested by the sender.

Thank you for your time.

## Intertie Support (Non-Firm Imports)

Topic	Feedback
Have the areas of consideration been appropriately included in the proposed methodology?	No comments.
Are the approaches outlined reasonable for forecasting real-time market imports?	No comments.

### General Comments/Feedback

As identified in its latest Annual Planning Outlook (APO), the IESO is anticipating an emerging capacity need in Ontario. More specifically, if existing generation is not available post contract expiration, the IESO expects a capacity need to emerge as early as next year. By 2025, new-build capacity will be needed (APO, page 38).

The current market and procurement mechanisms are not sufficient to address these upcoming capacity needs. In recognition of this deficiency, the IESO is in the process of developing a number of short-, medium- and long-term procurement mechanisms through its Resource Adequacy stakeholder engagement.

As recently stated by the IESO's Leonard Kula (*Vice President Planning, Acquisition and Operations, and Chief Operating Officer*), in his opening remarks at the November 2020 IESO Stakeholder Engagement Days, "the transition to a more competitive marketplace will not happen overnight. Certain steps will be necessary that at first glance may seem to be counterproductive but are intended to facilitate increased competition in the future." This more holistic approach to capacity procurement, with a view to the future, was part of the IESO's justification for bi-laterally extending the contract of Lennox, outside of a competitive procurement process.

The inclusion of non-firm imports in the next planning outlook fails to account for this broader context. There are a number of generation resources in the province that are currently off contract. As the IESO notes, these resources will be needed to address emerging capacity needs next year and beyond. Currently, the capacity auction is the only mechanism for retaining these resources.

Presently, the capacity auction fails to provide sufficient revenue to sustain off contract resources, and ultimately fails to recognize the longer-term value of those resources. The auction is designed to procure capacity in 6-month increments, with no consideration for capacity needs beyond that period. This limitation was evident in the latest capacity auction, where the IESO procured capacity the Summer 2021 period, but cancelled the auction for the Winter 2021/22 period, citing no capacity need. For off-contract resources looking to participate in procurement mechanisms for the Summer 2022 and beyond, they were left with 6-months of potential revenue for a year's worth of operations.

This limited view on the value of capacity runs the risk of prematurely incenting plant closures, despite knowingly needing these resources in future. Indeed, similar concerns over the inefficiency of static optimization – resulting in starting, stopping and restarting resources in real-time – are driving changes to the IESO's commitment programs through Market Renewal.

At a time when the market is already failing to remunerate off-contract domestic resources commensurate with their value, including non-firm imports will reduce the procurement of such resources.

Northland recognizes the benefits of an interconnected system, and the role imports can play in ensuring resource adequacy. However, these resources should compete on even footing with domestic resources, especially in light of the context laid out above.

Northland Power recommends that, instead of assuming upwards of 250 MW of non-firm imports will be available when needed, and reducing the capacity auction target accordingly, the IESO should increase the quantity of firm imports it will accept in the capacity auction, up to 250 MW. This would allow domestic resources and firm imports to compete to serve the full capacity need, instead of a reduced one. Not only will this provide much needed opportunities for critical domestic resources, but would allow firm imports to replace what would otherwise be non-firm imports, increasing the reliability of the product procured.

Absent these necessary capacity auction reforms (among others, such as a full year procurement period), critical domestic resources will need out-of-market support to ensure their availability to meet future capacity needs.