



Michael Killeavy
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November 23, 2017

Dear Michael,

Power Advisory LLC has coordinated this submission on behalf of a consortium of renewable generators, energy storage providers, and industry associations (i.e., the "Consortium"). The members of the Consortium are: Algonquin Power; BluEarth Renewables; Boralex; Brookfield Renewable Power; Canadian Wind Energy Association; Canadian Solar Industries Association; EDF EN; EDP Renewables; Enbridge; Energy Storage Canada; ENGIE; H2O Power; Kruger Energy; NextEra Energy; Pattern Energy; Suncor; and wpd Canada.

We applaud the Independent Electricity System Operator (IESO) in taking the initial and early step with the October 31, 2017 stakeholder webinar to discuss contract amendments resulting from future changes to the IESO Market Rules relating to forthcoming changes to the design of the IESO-Administered Markets to be driven by the IESO's Market Renewal Program (MRP).

The Consortium offers the following general comments regarding: 1) future contract amendment negotiations; 2) comments relating to the October 31 webinar; and, 3) answers to the IESO's questions for stakeholder response posed within the October 31 webinar. At this time, the Consortium only offers high-level and general comments, as work to develop MRP Detailed Design documents and associated changes to the IESO Market Rules are not scheduled to begin until late 2018 and throughout 2019, therefore details regarding amendments to contracts are not being provided at this time.

Future Contract Amendment Negotiations

To best ensure fair and effective contract amendment negotiations in the future, the following points and lessons learned from previous contract amendment negotiations triggered by changes to the IESO Market Rules are noted. Based on the Consortium's experience with previous contract amendment negotiations, we are aware of three sets of contract amendment

negotiations that have occurred (i.e., relating to generator cost-guarantee programs, cap-and-trade implementation, and dispatch of wind and solar generators) resulting from changes to IESO Market Rules.

Based on previous experience with contract amendment negotiations (that at times were very challenging), the following points must be considered and addressed regarding contract amendment negotiations that will be triggered by the MRP.

- Constructive meetings between IESO Contract Management and contract counterparties (i.e., “Suppliers”) must be initiated well before the start of contract amendment negotiations. Early dialogue through regularly scheduled meetings should strive to establish the scope of contract amendment negotiations by understanding the implications resulting from market rule changes, identification of contract provisions that will need to be amended, definition and clarity regarding key contract provisions (e.g., material and adverse impacts to Supplier’s Economics, etc.) relating to market rule changes, and timelines for contract amendment negotiations.
- Meetings held well before the start of contract amendment negotiations can help build collegiality and ‘good will’ between the IESO and Suppliers through common understanding of the scope of market rule changes, implications to Suppliers, and contract amendments.
- Early clarity accompanied with rationale from IESO Contract Management regarding the process to amend contracts is essential. Members of the Consortium have experience with contract amendment negotiations within groups of Suppliers defined by ‘families’ of contracts (i.e., families of contracts have been defined by previous procurement initiatives (e.g., Renewable Energy Supply (RES), Feed-in Tariff (FIT), etc.)) and with single Supplier contract negotiations, and there are pros and cons to both approaches that need to be discussed with the IESO.

Comments Relating to October 31 Webinar

The Consortium offers the following comments relating to the IESO’s October 31 presentation.

- The Consortium agrees with the MRP’s focus on improving the efficiency of the IESO-Administered Markets, and the “MRP [IESO] ... is not targeting to extract value from contracts” as a general principle for amending contracts. However, previous experience with contract amendment negotiations (e.g., dispatch of wind and solar generators)

resulting from market rule changes did not meet this general principle. Therefore, the points made above regarding Future Contract Amendment Negotiations should be addressed to ensure that MRP-related market rule changes truly do not result in value being extracted from contracts.

- We would like to know if the IESO has done any analysis to conclude that as a general principle the “majority of MRP implications may result only in mechanical contractual changes and only some may require complex solutions”. If so, the IESO should disclose this analysis. Based on the complexity of the fundamental changes to the existing design of the IESO-Administered Markets resulting from the MRP, at this time the Consortium is not convinced that the majority of MRP implications may result in mechanical contract amendments. Also, as point of clarification, what does “mechanical” mean in the context of contract amendments, and what implication will “mechanical” contract amendments have on Supplier’s Economics contract provisions?
 - Referring to slides 25 and 26 of the presentation, the Consortium is not convinced that the implementation of some form of Locational Marginal Price (LMP) for energy replacing uniform energy prices (i.e., five-minute Market Clearing Price (MCP), Hourly Ontario Energy Price (HOEP)) combined with the elimination of Congestion Management Settlement Credits (CMSC) (i.e., all through the Single Schedule Market (SSM) Workstream) will simply result in a “mechanical replacement through the price evolution of HOEP for most contracts”.
- Referring to slide 28 of the presentation, the timelines to negotiate contract amendments should be moved forward to be in-line with the timeframe of nearly completed Detailed Design documents within the MRP Workstreams (e.g., SSM, etc.). Detailed Design documents will provide sufficient level of details regarding changes to the existing design of the IESO-Administered Markets, and therefore these documented changes will be able to accurately signal clear and well-defined implications for contracts (e.g., material and adverse impacts to Supplier’s Economics, as defined in many contracts).
- The Consortium strongly supports the general principle relating to the IESO continuously working with Suppliers to understand contract implications.

Answers to IESO Questions from October 31 Webinar

The IESO posed two questions during the October 31 webinar, which are listed below along with high-level answers from the Consortium.

- What contract issues do stakeholders see as priorities to be addressed now and what issues are dependent on actual design/market rules?
 - Contract issues to be addressed now include, but are not limited to:
 - Continuation of consultation with stakeholders and Suppliers building from the October 31 webinar;
 - IESO Contract Management should work with Suppliers to define and agree to principles regarding future negotiations to amend contracts;
 - IESO Contract Management should work with Suppliers to define and agree to a process to negotiate amendments to contracts;
 - IESO Contract Management and Suppliers should work to define “material and adverse impacts to Supplier’s Economics” relating to future changes to IESO Market Rules resulting from MRP;
 - IESO Contract Management and Suppliers should work to define which contract amendments are likely to be “mechanical” and which contract amendments are likely to not be “mechanical” and therefore necessitate further analysis and dialogue to define the “material and adverse impacts to Supplier’s Economics” within this context; and
 - Around the time of concluding applicable High-Level Design documents (e.g., SSM, etc.) in 2018, IESO Contract Management and Suppliers should engage in focused meetings to directionally determine the implications of planned changes to the IESO-Administered Markets (e.g., implementation of LMP combined with elimination of CMSC, etc.) relating to potential contract amendments.
 - Contract issues dependent on actual design/market rules include, but are not limited to:
 - Planned implementation of LMP combined with elimination of CMSC in replacement of HOEP/MCP and CMSC;
 - Planned implementation of a Day-Ahead Market (DAM);
 - Planned implementation of Incremental Capacity Auctions (ICAs) regarding any capacity incremental to contractually defined “Contract Capacity”;

- Any potential to define and implement Environmental Attributes (EAs) or similar (e.g., Renewable Energy Certificates (RECs)) as potentially defined within, for example, the Market Renewable Working Group's Non-Emitting Resource Sub-Committee; and
 - Any potential to define and implement any changes to, or planned development of, new ancillary services and/or applicable electricity products that may be captured under contractual definitions of "Related Products" and "Future Contract Related Products".
- What is/are the best forum(s) and processes to discuss Market Renewal and contract questions? (open engagement, small committee, sector-specific, bilateral?)
 - Until High-Level Design documents are completed for respective MRP Workstreams, open engagements and meetings with multiple groups of Suppliers is encouraged and needed;
 - After High-Level Design documents have been completed, IESO Contract Management should meet with groups of Suppliers (e.g., based on organization of Suppliers (e.g., this Consortium), families of contract-type, etc.); and
 - Upon near completion of Detailed Design documents, IESO Contract Management will be able to more clearly determine potential implications for contract amendments (with input from Suppliers) and should then work with Suppliers to determine how to refine the process and organization to begin contract amendment negotiations (e.g., remaining within groups or Suppliers and/or with some individual Suppliers); at a minimum, this process might necessitate contract amendment negotiations based on IESO defined electrical zones where Suppliers' facilities are located.

In closing, we look forward to discussing the contents of this submission within future meetings that should be scheduled in parallel to the stakeholder consultation meetings within the IESO's MRP.

Sincerely,



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Managing Director
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cc:

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