

## PWU Submission to the IESO's March 2021 Resource Adequacy Engagement

April 14, 2021

The Power Workers' Union (PWU) is pleased to submit comments and make recommendations to the Independent Electricity System Operator (IESO) regarding the Resource Adequacy Engagement webinar held on March 22. The PWU remains a strong supporter and advocate for the prudent and rational reform of Ontario's electricity sector and recognizes the importance of planning for low-cost, low-carbon energy solutions to enhance the competitiveness of Ontario's economy.

The PWU supports increased transparency in the procurement process and further development of procurement mechanisms that will enable Ontario to meet its future, low-emission electricity needs at the lowest cost.

However, there are significant risk factors facing the IESO's strategic vision to meet Ontario's electricity system needs in a timely, flexible, and cost-effective manner.

The PWU reiterates and stresses the importance of its two previous recommendations to the IESO:

1. Accelerate the procurement timeline for acquiring low-emitting resources that are already known to be needed to meet Ontario's, long-term, low-carbon electricity demand; and,
2. Focus the competitive procurement mechanisms on seeking solutions to broader system needs beyond just capacity.

### **Recommendation #1: Accelerate the procurement timeline for acquiring low-emitting resources that are already known to be needed to meet Ontario's, long-term, low-carbon electricity demand**

In previous submissions, the PWU has noted<sup>1</sup>, and the IESO has confirmed in the recent Annual Planning Outlook (APO), that Ontario will require significant capacity in 2025 when the 3,000 MW Pickering Nuclear Generating Station ceases operation. However, the IESO has stated that its procurement mechanisms will not be ready until 2025 at the earliest. This delay in implementation unnecessarily exposes Ontario's electricity supply to risk—the province may be left without cost-effective, viable solutions. Concurrently, the IESO is focusing significant attention and resources on mid-term competitive mechanisms for re-contracting existing resources.

The PWU emphasizes the need for the IESO to immediately engage in developing alternative procurement mechanisms to secure the required capacity to replace the long-term, low-carbon baseload electricity capacity of the retiring Pickering station. The PWU suggests that the IESO focus on the immediate development and implementation of long-term competitive mechanisms capable of procuring new low-carbon resources sooner rather than later.

As the urgency for new supply grows, in the absence of an approach to secure long term resources, the IESO may be compelled to make sub-optimal decisions or rely on unsolicited proposals, along with the consequences of such decisions. As a result, Ontario could be locked into higher cost, emitting resources as carbon pricing is being implemented across the nation. More critically, Ontario may have insufficient

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<sup>1</sup> PWU, Resource Adequacy Engagement Feedback Submission, February 2021

supply to meet the demand growth driven by electrification which is not considered in the IESO's APO.<sup>2</sup> The absence of a long-term competitive mechanism may leave the IESO with only two options to procure new capacity:

- a) Procure natural gas-fired generation and increase greenhouse gas (GHG) emissions from Ontario's electricity system; or
- b) A higher cost solution that may need to be procured through an unsolicited proposal or bilateral contract.

Both options present additional risks for the IESO given the growing concern over climate change, increasing emissions, municipalities being lobbied to support the phase out of Ontario's natural gas-fired generation<sup>3,4</sup>, and stakeholder criticism over unsolicited proposals.

### **Recommendation #2: Focus the competitive procurement mechanisms on seeking solutions to broader system needs beyond just capacity**

The PWU continues to support and advocate for a paradigm shift in the IESO procurement process for meeting future needs with low-cost, low-carbon sources of energy. This requires the development of procurement mechanisms that transparently specify system needs thereby enabling resource developers to bid cost-effective hybrid solutions that best meet those needs. Currently, system needs are only specified by capacity. A broader definition is required today to include: all forms of energy resources; their associated carbon performance and profiles; ancillary services; and, broader societal benefits.

The proposed Annual Acquisition Report (AAR) may facilitate such an integrated view of Ontario's electricity requirements. Such an outcome would require that the resource acquisition process must accommodate innovative integrated solutions. Currently, several other related consultations and engagements are underway reviewing the province's energy planning process, including:

- a) Ministry of Energy, Northern Development and Mines Long-term Energy Plan (LTEP) process reform consultation
- b) OEB Regional Planning Process Advisory Group (RPPAG) implementing recommendations from the recent IESO report on the Regional Process Review
- c) IESO's new engagements on:
  - i. Hybrid Integration Project
  - ii. Enabling Resources

The IESO should consider the feedback from these other consultations to help improve the process for a transparent procurement framework that enables innovative, integrated solutions. As noted in previous PWU submissions, going forward, the IESO's process should consider the different demand needs of the

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<sup>2</sup> While the IESO posits that carbon abatement is not in its mandate, almost all stakeholders at the recent March 7<sup>th</sup> OEA Long-Term Energy Planning Symposium acknowledged the need to include climate change as part of the energy planning process.

<sup>3</sup> City of Toronto, Special Meeting City Council, March 10, 2021

<sup>4</sup> Clean Air Alliance, "Mayor Tory & Toronto City Council call for phase-out of Ontario's gas plants", March 11, 2021

province (baseload, intermediate, peak) and the associated uncertainty risk for each, and, how to encourage integrated, innovative solutions.

### **Closing**

The urgency to resolve Ontario's go-forward procurement strategy is evident given the risks. The PWU believes the contracting/RFP process should begin now. The IESO's intention to complete the design process in 2025 will be too late.

The PWU has a successful track record of working with others in collaborative partnerships. We look forward to continuing to work with the IESO and other energy stakeholders to strengthen and modernize Ontario's electricity system. The PWU is committed to the following principles: Create opportunities for sustainable, high-pay, high-skill jobs; ensure reliable, affordable, environmentally responsible electricity; build economic growth for Ontario's communities; and, promote intelligent reform of Ontario's energy policy.

We believe these recommendations are consistent with and supportive of Ontario's objectives to supply low-cost and reliable electricity for all Ontarians. The PWU looks forward to discussing these comments in greater detail with the IESO and participating in the ongoing stakeholder engagements.