

Generators, Richard Horrobin, Craig Martin

February 24, 2011

Mr. Bruce Campbell
Vice President, Resource Integration
IESO
655 Bay St, Suite 410
Toronto, ON M5G 2K4

Dear Mr. Campbell:

We are writing in response to the request for Sector Priorities that was solicited for the Upcoming Stakeholder Advisory Committee meeting. The following comments have been developed in consultation with other members of the generating community and have been separated into issues that the generator sector would like to see on SAC agendas during the current year, and those issues that we believe should be considered by the IESO when preparing its business plan for the period 2012-2013.

1. Agenda items for 2011

Priority issues that the generator sector would like to see addressed at the SAC are listed below. Also, as you consider this list, we feel it is incumbent upon us to point out our observation that none of the generator sector issues identified last year were included in any SAC agenda during 2010.

Surplus Baseload Generation (SBG)

The generator community is not satisfied with the pace of progress on the SBG issue. We believe this is an urgent matter worthy of an immediate formal process for the development of a solution.

In support of this claim, we submit for your consideration that the IESO is forecasting SBG in 14.5% of hours by 2013. Put another way, IESO is forecasting 51 solid days of SBG. This is a 400% increase over 2010 levels and it will have widespread impacts for IESO and many of its stakeholders.

We are hopeful that a discussion of this matter at SAC is simply a starting point. Our objective would be to see a formal plan for development and implementation of a meaningful solution to the issue before the end of 2011. Members of the generator community are prepared to submit detailed recommendations and commit resources as required to assist IESO in the development of a solution to this matter on a priority basis.

Export tariffs:

The generator community was disappointed with the OEB's recent decision to double the export tariff from \$1 to \$2, in spite of arguments to the contrary put forward by IESO and others. We are concerned that the future will bring additional increases to the level of the export tariff and that these increases will be detrimental to IESO markets in general and the SBG (Surplus Baseload Generation) issue in particular.

While the generator sector is preparing to participate in a more fulsome fashion in future proceedings on this matter, we call on the IESO to monitor the impact that this decision has on Ontario energy prices, Global Adjustment and the Surplus Baseload Generation issue; and to report their findings at upcoming meetings of the Stakeholder Advisory Committee.

Market Roadmap:

This is an issue that has captured the attention of the generator community. We are eagerly awaiting additional clarity regarding the purpose and logistics of this initiative which we expect to be discussed at upcoming Stakeholder Advisory Committee meetings.

Furthermore, we believe the following issues should be addressed by the SAC prior to the formation of a separate market roadmap working group:

- SAC should finalize the objectives, timeline, deliverables and audience of the market roadmap initiative prior to moving forward
- SAC should finalize the make-up of the working group membership; specifically it is our particular belief that membership must include representation from all corners of the generator sector – hydroelectric, fossil, nuclear and renewable generation.
- SAC should discuss and finalize the requirements of the working group chair. Specifically, the advantages of an independent chair need to be explored.
- SAC should discuss and understand the interrelationship between market rules and OPA contracts. A better understanding of how changes to market rules impact incentives driven by OPA contracts will help SAC to better formulate its guidance to the market roadmap initiative

2. Recommendations for the Business Planning Timeframe:

At this time, the generator community has not identified any specific initiatives or focus areas for the longer term question of the IESO's 2012-2013 business planning process.

However, we do have some observations for IESO's consideration:

- There are a number of active stakeholder engagements that have not been progressing for some time (years in some cases). IESO may wish to consider a strategy for dealing with this backlog as part of its business planning process in 2012-2013
- Generators would encourage the IESO to consider the requirement to amend or modify OPA generator contracts at the outset of any new market initiatives undertaken in the business planning process.

The generation community remains eager to work with the IESO to address both the short and longer term concerns. Recently, APPrO has created a Market Affairs Working Group whose mandate includes providing advice to the APPrO Board and President on IESO affairs. This should bolster the generator community's ability to be of assistance to the IESO when it comes to the evolutionary decisions facing the designers of the Ontario Market.

Sincerely,

Craig Martin

Richard Horrobin

Representing Generators
Stakeholder Advisory Committee