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October 25, 2019

Delivered by Email, RESS & Courier

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
27th Floor, Box 2319
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Application for Review of an Amendment to the Independent Electricity
 System Operator Market Rules
 Board File No. EB-2019-0242**

Pursuant to the Procedural Order No. 3 dated October 22, 2019, please find enclosed the Affidavit of John Windsor in the above-captioned matter. Paper copies of this letter and the accompanying Affidavit will be delivered to you by courier.

Should you have any questions or require further information in this regard, please do not hesitate to contact me.

Yours very truly,

BORDEN LADNER GERVAIS LLP

Per:

Original signed by John A. D. Vellone

John A.D. Vellone

cc: John Windsor, Northland Power Inc.
 Michael Lyle, IESO
 Colin Anderson, AMPCO
 Ian A. Mondrow, Gowling WLG

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Sched. B, as amended;

AND IN THE MATTER OF an Application by the Association of Major Power Consumers in Ontario, pursuant to section 33 of the *Electricity Act, 1998*, S.O. 1998, c. 15, Sched. A and Rule 17 of the Ontario Energy Board *Rules of Practice and Procedure* for review of amendments to the Independent Electricity System Operator market rules related to the implementation of a Transitional Capacity Auction (MR- 00439-R00-R05).

AND IN THE MATTER OF a notice of motion by the Association of Major Power Consumers in Ontario, pursuant to section 33 of the *Electricity Act, 1998*, S.O. 1998, c. 15, Sched. A and Rule 17 of the Ontario Energy Board *Rules of Practice and Procedure* to stay the operation of amendments to the Independent Electricity System Operator market rules pending determination of the Application.

AFFIDAVIT OF

John Windsor, Vice President of Energy Services and Asset Management

October 25, 2019

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I, John Windsor, of the City of Burlington, in the Province of Ontario, MAKE OATH AND SAY AS FOLLOWS:

A. INTRODUCTION

A.1 Q: Please describe Kingston CoGen Limited Partnership (“KCLP”).

1. KCLP is an Ontario partnership that is indirectly wholly-owned by Northland Power Inc. (“Northland”). KCLP owns and operates a 110 MW combined-cycle, natural-gas fired facility located in Kingston, Ontario. Originally a cogeneration facility, the steam host (Invista) has since been shut down and decommissioned. The power purchase agreement (“PPA”) that KCLP had with the Ontario Electricity Financial Corporation (“OEF”) expired January 31st, 2017.

A.2 Q: What is your position and what are your responsibilities as an employee of KCLP?

2. I am Vice President of Energy Services and Asset Management at Northland. In this role I also serve as CEO of Northland’s energy marketing business (power and gas trading). I have been working in the power industry for 28 years, 18 of which are directly in the Ontario market, although I have also worked in the US power markets of the New York Independent System Operator (“NYISO”) and ISO-New England (“ISO-NE”) for 6 years. At Northland, I am responsible for the commercial aspects of Northland’s operating businesses, which include market participation and post PPA revenue strategy, such as capacity market participation for KCLP. I serve as chair for four (4) Northland-owned partnerships, which operate power projects within the Ontario power market. I am a 1st Class Power Engineer, and a designated member of The Canadian Institute of Management (CIM, P.Mgr, C.Mgr). I hold a Graduate Diploma in Management (GDM) and a Master of Business Administration degree (MBA) from Athabasca University.

A.3 Q: On whose behalf are you submitting evidence?

3. I have prepared this evidence for and on behalf of KCLP in response to the Association of Major Power Consumers in Ontario’s application to the Ontario Energy Board (“OEB” or the “Board”) for review of the Independent Electricity System Operator (“IESO”) market

rule amendments for the implementation of a Transitional Capacity Auction (“TCA”) (the “Amendments”)¹ (the “Application”)², and a motion to stay the operation of the Amendments pending the Board’s determination of the Application (the “Stay Motion”)³, which were filed with the Board on September 26, 2019.

A.4 Q: Have you previously submitted evidence before the Ontario Energy Board?

4. I have not provided any previous evidence to the OEB personally.

A.5 Q: What is the purpose of your evidence?

5. The purpose of my evidence is to:
- a. provide factual information about KCLP’s business operations; and
 - b. describes the harm to KCLP’s business operations should the OEB grant the Stay Motion or approve the Application.

B. KCLP’S BUSINESS OPERATIONS

B.1 Q: Does KCLP have a PPA with the IESO or the OEFC?

6. No, the PPA that KCLP had with the OEFC expired on January 31st, 2017 and KCLP has since been without a PPA.
7. KCLP participates in the Ontario (IESO) energy market daily by submitting energy offers to the market. However, this practice does not produce any material energy market revenue due to KCLP’s offers reflecting higher costs than the typical energy market clearing price in Ontario. My understanding is that this is a result of the IESO energy market price reflecting generator variable costs, which represents approximately 20% of the cost of electricity in Ontario. For most other generators, fixed costs are covered by PPAs and

¹ MR-00439-R00-R05, available online at: <http://www.ieso.ca/en/Sector-Participants/Change-Management/Proposed-Market-Rule-Amendments>

² Application for Review of an Amendment to the Independent Electricity System Operator Market Rules, Notice of Appeal, EB-2019-0242, filed September 26, 2019, available online at: <http://www.rds.oeb.ca/HPECMWebDrawer/Record/653723/File/document>.

³ Application for Review of an Amendment to the Independent Electricity System Operator Market Rules, Notice of Motion, EB-2019-0242, filed September 26, 2019, available online at: <http://www.rds.oeb.ca/HPECMWebDrawer/Record/653721/File/document>.

consumers pay the contract or PPA portion of the energy costs in the global adjustment portion of their energy bill, which makes up most of the remaining 80% of energy costs to consumers.

B.2 Q: Would KCLP qualify to compete in the TCA in December 2019?

8. KCLP has met all the pre-qualification requirements to participate in a TCA auction in December 2019. KCLP continues to work to ensure all requirements are met for participation in the auction.

B.3 Q: Do you expect that the TCA will result in lower capacity prices due to increased competition amongst capacity resources?

9. I believe that could happen. Auction supply / demand economics will determine the auction clearing price in the upcoming TCA. Although we will not know the clearing price until after the auction takes place, I can offer the following insights that inform my belief:
- a. KCLP has reviewed historical DR auction clearing prices and believes its offers could be competitive with those prices.
 - b. Allowing more competition from generators and future imports (e.g. NYISO) may put some downward pressure on price.
 - c. In addition, if the IESO changes the procurement volume, it could impact clearing prices.

B.4 Q: Are there any guarantees that KCLP will be successful in the upcoming December 2019 TCA?

10. There are no guarantees that KCLP will be successful in the December 2019 TCA. Like all other resources, KCLP will need to compete for the opportunity to provide capacity to the market. Each participant will also need to determine a minimum clearing price and volume award that they are willing to accept, including whether they will accept a partial award depending on their offer strategy.

B.5 Q: Prior to the adoption of the TCA, could KCLP sell capacity into the Ontario IESO administered markets (IAM)?

11. Prior to the adoption of the TCA, there are no mechanisms available to KCLP to sell its capacity into the IAM.
12. While the IESO has agreed that KCLP may participate in the NYISO Installed Capacity Market (ICAP) as an external supply of capacity since the summer of 2017, the capacity revenues earned from that market are relatively small compared to KCLP's fixed costs. As such, those revenues have only offset a small portion of KCLP's fixed costs.

B.6 Q: Does the lack of an IAM for generation capacity in Ontario differ in any way from the NYISO, PJM Interconnection LLC ("PJM"), and ISO-NE markets that were the subject of FERC Order No. 745?

13. Yes, NYISO, PJM and ISO-NE each had defined market-based capacity markets as part of the RTO/ISO's scope of services. Generators could already compete in those market-based capacity markets, and FERC Order No. 745 was focused on changing certain mechanisms within those existing capacity markets. By contrast, as noted above, the Ontario IAM does not, in the absence of the TCA, have a capacity market in which generators can participate.

B.7 Q: But KCLP can sell energy and other services into the IAM. Describe those services. Are the revenues earned from those services (in the absence of capacity revenues) sufficient to maintain KCLP as a going concern? If no, why not?

14. KCLP has been a market participant in the IAM energy market since the market opened.
15. When KCLP's OEFC contract expired in January 2017, it continued to be a market participant in Ontario, and continued to offer its energy into the IAM. However, the energy market in Ontario at this time does not provide KCLP sufficient opportunities to generate revenues above its marginal operating costs.
16. Put another way, KCLP has both fixed and variable operating costs that it cannot recover from the energy market (including ancillary services) alone.
17. As a result, KCLP does not have access to a mechanism to recover its fixed operating costs by participating in the IAM energy market.

B.8 Q: Prior to the adoption of the TCA, are you aware of any other off-contract Ontario generators being forced to make the difficult decision to suspend operations, lay-off employees, and otherwise dispose of equipment?

18. Yes. Northland recently had to suspend operations at, and ultimately sell, its Cochrane generation facility. After the expiry of Cochrane's OEFC contract, there were no mechanisms (such as a capacity auction) to pay for fixed operating costs for the facility. Prior to this, Cochrane provided 40 MW of capacity to the IAM and employed 30 people. As a result, this capacity is no longer available for use by the IESO in planning for the IAM.
19. If a capacity market had existed for capacity resources coming off contract at the time Cochrane came off contract, then that facility may have been retained by Northland.

B.9 Q: Is there a risk that this could happen at KCLP if the TCA does not proceed as planned?

20. Yes. KCLP has been operating for almost three years where it is not recovering its fixed operating costs via market-based mechanisms available to it. The parent company of KCLP has indicated that it is not willing to continue losing money without some indication that a mechanism will become available to recover sufficient revenues to keep the facility operating. If KCLP is prevented from competing in the upcoming TCA, I believe that it is likely that the parent company will decide to discontinue facility operations.

B.10 Q: How would a decision of the OEB granting the Stay Motion affect KCLP's business operations in the near-term?

21. It is my understanding that the TCA auction scheduled for December 2019 will cover a commitment period of May 1, 2020 to April 30, 2021. The commitment period will consist of two seasonal obligation periods – a summer and a winter period. KCLP intends to participate in the auction for both seasonal periods.
22. If the stay is granted, and the auction is delayed from its planned December 2019 auction date, then KCLP would lose out on the opportunity to compete for capacity for both the summer and winter periods. This would result in a lost opportunity cost for KCLP, which could cost KCLP millions of dollars and potentially force KCLP to shut down.

