

**IN THE MATTER OF** the *Electricity Act, 1998*, c. 15  
(Schedule A) and *Ontario Energy Board Act, 1998*, c.15  
(Schedule B);

**AND IN THE MATTER OF** an Application by Capital Power Corporation, Thorold CoGen L.P., Portlands Energy Centre L.P. doing business as Atura Power, St. Clair Power L.P., and TransAlta (SC) L.P. ("**NQS Generation Group**") to the Ontario Energy Board for an Order or Orders under section 33 of the *Electricity Act, 1998*.

# AFFIDAVIT

I, **JASE TANG**, at the City of Toronto, **MAKE AN OATH AND SAY AS FOLLOWS:**

I am a legal assistant at Borden Ladner Gervais LLP and, as such, have knowledge of the matters hereinafter deposed to, except where the facts are stated to be based on information and belief where so stated I verily believe them to be true.

Pursuant to the OEB's revised Letter of Direction dated November 14, 2024 (the "Letter") in Ontario Energy Board file number EB-2024-0331 (attached to this Affidavit as Exhibit 1), the NQS Generation Group has completed the following steps:

1. In accordance with paragraph 1 of the Letter, I believe a copy of the application was served directly on the IESO on November 8, 2024. This correspondence is attached to this Affidavit as Exhibit 2.
2. In accordance with paragraph 2 of the Letter, I believe that a copy of the application and Notices have been sent to anyone requesting the material, which to date has only been the School Energy Coalition.

Sworn remotely by Jase Tang at the City of Toronto in the Province of Ontario, before me at the City of Toronto in the Province of Ontario, on November 15, 2024, in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely

Sarah Crothers

Sarah Crothers  
LSO No. 89213C

Commissioner for Taking Affidavits in the Province of  
Ontario

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Jase Tang

The attached document is **Exhibit 1** to the Affidavit of Jase Tang.

Sworn remotely by Jase Tang at the City of Toronto in the Province of Ontario, before me at the City of Toronto in the Province of Ontario, on November 15, 2024, in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.

*Sarah Crothers*

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Sarah Crothers  
LSO No. 89213C  
Commissioner for Taking Affidavits in the Province of Ontario



**BY E-MAIL**

November 14, 2024

Colm Boyle  
Counsel for the NQS Generation Group  
Borden Ladner Gervais LLP  
Bay Adelaide Centre, East Tower  
22 Adelaide St W Suite 3400  
Toronto ON M5H 4E3

Andrew Bishop  
Senior Regulatory Advisor  
Independent Electricity System Operator  
1600-120 Adelaide Street West  
Toronto ON M5H 1T1

**LETTER OF DIRECTION**

Dear Colm Boyle and Andrew Bishop:

**Re: Application for Review of Amendments to the Independent Electricity  
System Operator Market Rules by NQS Generation Group  
Ontario Energy Board File Number: EB-2024-0331**

On November 8, 2024, Capital Power Corporation, Thorold CoGen L.P., Portlands Energy Centre L.P. doing business as Atura Power ("Atura Power"), St. Clair Power L.P., TransAlta (SC) L.P. (the NQS Generation Group or Applicants) jointly filed with the Ontario Energy Board (OEB) an application under section 33 of the *Electricity Act, 1998* requesting that the OEB review a set of market rule amendments made by the Independent Electricity System Operator (IESO).

The OEB has now issued its Notice of Hearing for the NQS Generation Group's application for the above referenced application (Notice). Please note that NQS Generation Group must comply with the directions in paragraphs 1-2 below and the IESO must comply with the directions in paragraphs 4-7 below prior to **November 15, 2024**. If you are unable to comply with the directions within this timeframe, you must inform the Registrar immediately at [registrar@oeb.ca](mailto:registrar@oeb.ca).

NQS Generation Group is directed:

1. To immediately serve a copy of the application and all other application materials directly on the IESO.
2. To provide a copy of the Notices, the application and evidence, and any amendments thereto, to anyone requesting the material.
3. To file with the OEB an affidavit confirming that the steps set out in paragraphs 1 through 3 have been completed.

IESO is directed:

4. To serve an electronic copy of the English and French versions of the Notice, in the exact form accompanying this letter, by email to all market participants and interested parties who are registered to receive IESO news and other communiqués.
5. To serve an electronic copy of the English and French versions of the Notice, the application and evidence, directly on all market participants participating in the IESO Administered Market.
6. To post the following message if IESO has an X (formerly Twitter), LinkedIn, Facebook, and/or Instagram account:
  - a) “Capital Power Corporation, Thorold CoGen L.P., Atura Power, St. Clair Power L.P., TransAlta (SC) L.P. (NQS Generation Group) has applied to the Ontario Energy Board for a review of amendments to the market rules made by the Independent Electricity System Operator. Learn more. Have your say.”
  - b) << Capital Power Corporation, Thorold CoGen L.P., Atura Power, St. Clair Power L.P., TransAlta (SC) L.P. (NQS Generation Group) a demandé à la Commission de l’énergie de l’Ontario d’examiner les modifications apportées aux règles du marché par l’opérateur indépendant du réseau d’électricité. Apprendre encore plus. Exprimez-vous. >>

The post is required to include the Bigbox ad and to provide a link to the Notices as posted on IESO’s website in accordance with paragraph 6.

7. To provide a copy of the Notices, the application and evidence, and any amendments thereto, to anyone requesting the material.
8. To file with the OEB an affidavit confirming that the steps set out in paragraphs 4 through 8 have been completed.

Both parties are further directed not to include any documents or materials when serving or publishing the Notice other than documents or materials expressly required by this letter of direction.

Yours truly,

Nancy Marconi  
Registrar

Enclosed:

- Notices
- Bigbox ads

c: John Vellone, Applicant's Co-Counsel  
James Hunter, IESO  
Glenn Zacher, Stikeman Elliott LLP  
Patrick Duffy, Stikeman Elliott LLP  
Lesley Mercer, Stikeman Elliott LLP

The attached document is **Exhibit 2** to the Affidavit of Jase Tang.

Sworn remotely by Jase Tang at the City of Toronto in the Province of Ontario, before me at the City of Toronto in the Province of Ontario, on November 15, 2024, in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.

*Sarah Crothers*

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Sarah Crothers  
LSO No. 89213C  
Commissioner for Taking Affidavits in the Province of Ontario

## Boyle, Colm

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**From:** Boyle, Colm  
**Sent:** November 8, 2024 11:19 AM  
**To:** RegulatoryAffairs@ieso.ca  
**Cc:** Vellone, John; Crothers, Sarah  
**Subject:** OEB Application for Review of Market Rules [BLG-DOCUMENTS.FID9674229]  
**Attachments:** NQS Gen\_Review\_MRP\_20241107.pdf

Hi,

Please find enclosed an application that was filed yesterday with the OEB. Feel free to contact me with any questions.

Thanks,

**Colm Boyle**

Senior Associate

T 416.367.7273 | [CBoyle@blg.com](mailto:CBoyle@blg.com) | \_\_\_\_\_

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Borden Ladner Gervais LLP

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**File No. 025001.000106**

November 7, 2024

**BY EMAIL & RESS**

Ms. Nancy Marconi, Registrar  
Ontario Energy Board  
PO Box 2319  
26th Floor, 2300 Yonge Street  
Toronto, ON M4P 1E4

Dear Ms. Marconi:

**Re: Capital Power Corporation, Thorold CoGen L.P., Portlands Energy Centre L.P.  
dba Atura Power, St. Clair Power L.P., TransAlta (SC) L.P. (the “NQS Generation  
Group”)  
Application for Review of Amendments to the Independent Electricity System  
Operator (“IESO”) Market Rules**

As legal counsel to the NQS Generation Group, we are filing with this letter an Application for Review of Amendments to the IESO’s Ontario Electricity Market Rules under s. 33(4) of the *Electricity Act, 1998* (“**Application**”) and in accordance with section 16 of the Ontario Energy Board’s (“**OEB**”) *Rules of Practice and Procedure* issued on March 6, 2024.

If you have any questions or concerns, please do not hesitate to contact me.

Your truly,

**BORDEN LADNER GERVAIS LLP**

A handwritten signature in black ink, appearing to read 'Colm Boyle', is written over a light blue horizontal line.

Colm Boyle



**ONTARIO ENERGY BOARD**

**IN THE MATTER OF** the *Electricity Act, 1998*, s.33;

**AND IN THE MATTER OF** the *Ontario Energy Board Act, 1998*,  
s.21;

**AND IN THE MATTER OF** an application by Capital Power Corporation, Thorold CoGen L.P., Portlands Energy Centre L.P., dba Atura Power, St. Clair Power L.P., TransAlta (SC) L.P. (collectively the “**NQS Generation Group**”) for a review of the Market Renewal Program Market Rule Amendments passed by the Board of Directors of the Independent Electricity System Operator (“IESO”) on October 18, 2024.

**APPLICATION FOR REVIEW OF AMENDMENTS TO THE INDEPENDENT  
ELECTRICITY SYSTEM OPERATOR MARKET RULES**

**November 7, 2024**

Counsel for the NQS Generation Group  
**BORDEN LADNER GERVAIS LLP**  
Bay Adelaide Centre, East Tower  
22 Adelaide St W Suite 3400  
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John Vellone / Colm Boyle  
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**A. NATURE OF THE ORDER OR DECISION APPLIED FOR**

1. On October 18, 2024, the Independent Electricity System Operator's ("**IESO**") Board of Directors approved a package of amendments ("**MRP Amendments**"), known as "market rule amendments MR-00481-R00-R13", to the full suite of Ontario Electricity Market Rules ("**Market Rules**") which were required to operationalize the Market Renewal Program ("**MRP**").
2. Capital Power Corporation, Thorold CoGen L.P., Portlands Energy Centre L.P., dba Atura Power, St. Clair Power L.P., TransAlta (SC) L.P. (collectively the "**NQS Generation Group**") apply to the Ontario Energy Board ("**OEB**") for:
  - a. review of the IESO's MRP Amendments of the Market Rules under section 33(4) of the *Electricity Act, 1998*;
  - b. an order revoking the MRP Amendments and referring them back to the IESO for further consideration on the basis the MRP Amendments are inconsistent with the purposes of the *Electricity Act, 1998* and unjustly discriminates against a market participant or class of market participants under section 33(9) of the *Electricity Act, 1998*;
  - c. that the OEB exercise its discretion under section 21 of the *Ontario Energy Board Act, 1998* to direct the IESO to provide more fulsome disclosure relating to the MRP Amendments, which disclosures would be specifically relevant to the matters in dispute in this Application (see Schedule A);
  - d. a Procedural Order that allows the NQS Generation Group to file evidence in support of this Application after a reasonable period of time following the IESO's mandatory disclosure information specified under section 6.3 of its Licence EI-2013-0066 and any OEB direction for additional IESO disclosure under section 21 of the *Ontario Energy Board Act, 1998*; and
  - e. such further and other relief as the NQS Generation Group may request and the OEB may grant.

3. The NQS Generation Group files this Application in accordance with section 16 of the OEB's *Rules of Practice and Procedure* issued on March 6, 2024.
4. The NQS Generation Group reserves the right to amend or supplement this Application with facts, grounds, submissions, and evidence following receipt of the IESO's mandatory disclosure under section 6.3 of its Licence EI-2013-0066 and any OEB direction for additional IESO disclosure under section 21 of the *Ontario Energy Board Act, 1998*.

**B. STATEMENT OF FACTS**

5. The NQS Generation Group, and their affiliates, represent a class of market participants that operate non-quick start (“NQS”) gas-fired generation facilities in Ontario. These facilities operate pursuant to IESO Market Rules and various forms of contractual agreements (collectively, the “**Deemed Dispatch Agreements**”) with the IESO.
6. There are currently 9,723 MW of natural gas-fired generation in Ontario representing 25% of Ontario's total supply mix of 38,264 MW. Natural gas-fired generation plays an important role in supporting grid reliability in Ontario, according to both the IESO and the provincial government. Provincial energy policy documents have repeatedly highlighted the importance of natural gas-fired generation and have directed the IESO to procure incremental capacity in order to maintain reliability in the face of forecasts for growing electricity demand. Natural gas-fired generation can provide continuous energy throughout the year, under all weather conditions. Natural gas-fired generation units can also be ramped up and down to respond to changes in demand or the availability of other generation resources, such as intermittent renewable suppliers like wind and solar generators. Additionally, it provides reliability services to the grid operator to stabilize voltages and frequencies on the transmission grid, among other benefits.
7. The MRP Amendments implement a comprehensive suite of changes to the IESO-Administered Markets (“**IAM**”), including:

- a. The introduction of a single schedule market (including the implementation of Locational Marginal Prices (“**LMPs**”)),<sup>1</sup> and the corresponding elimination of the Congestion Management Settlement Credit (“**CMSC**”) regime;
- b. The introduction of a binding Day-Ahead Market (“**DAM**”),<sup>2</sup> replacing the current Day-Ahead Commitment Process (“**DACP**”), that will include financially binding commitment and dispatch schedules and incorporate numerous financial and non-financial parameters that are not considered in the current market design and rules that predominantly commits and dispatches NQS generators today;<sup>3</sup> and
- c. The introduction of an Enhanced Real-Time Unit Commitment (“**ERUC**”),<sup>4</sup> replacing the current pre-dispatch commitment process. ERUC includes without limitation:
  - i. The replacement in real-time of a single energy offer (incremental energy cost) with the introduction of three-part offer structure (start-up cost, speed-no-load cost, and incremental energy cost), as well as financially binding prices in the DAM based on three-part offers (where such financially binding prices do not exist today);
  - ii. The replacement of a simpler optimization algorithm under the current market with a new, more complex market optimization algorithm (that optimizes over multiple hours, and as between day-ahead and real-time schedules); and
  - iii. The replacement of the Real-Time Generator Cost Guarantee (“**RT-GCG**”) program, with the substantially altered Real-Time Generator Offer

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<sup>1</sup> <https://www.ieso.ca/Market-Renewal/Stakeholder-Engagements/Market-Renewal-Single-Schedule-Market>

<sup>2</sup> <https://www.ieso.ca/Market-Renewal/Stakeholder-Engagements/Market-Renewal-Day-Ahead-Market>

<sup>3</sup> In the renewed market, the majority of dispatch schedules, including imports and exports, will be determined day-ahead with the real-time market intended to be a balancing market to manage demand forecast errors and upset in supply.

<sup>44</sup> <https://www.ieso.ca/Market-Renewal/Stakeholder-Engagements/Market-Renewal-Enhanced-Real-Time-Unit-Commitment>

Guarantee (“**RT-GOG**”) program resulting in significant negative financial impacts related to wholesale market revenues for NQS Generation Group.

8. Following MRP, the IESO’s new day-ahead calculation engine will maximize the gains from trade over the subsequent 24- hour period given market participant offers and bids, resource constraints and the reliability needs of the system. At times, the most efficient and reliable schedule for the system as a whole can result in some facilities being scheduled at an implied loss, or not being scheduled when they are economic on an incremental energy basis. A facility could be scheduled in the DAM at a loss in order to meet all system constraints for reliability, for example, to avoid violation of a transmission limit. In short, the complexity of determining commitment and dispatch – which will include millions of different data points, both economic and physical – is expected to result in outcomes that will not clearly be based on economic incremental energy offers.
9. The MRP Amendments will harm the NQS Generation Group in the following ways (all else being equal):
  - a. NQS Generators will receive less scheduled commitments following MRP due to the calculation engines included in the MRP Amendments optimizing across the subsequent hours prior to real-time dispatch and incorporating non-incremental energy costs. These changes are likely to result in NQS Generators not being committed and dispatched, at times, even though they are economic on an incremental energy basis;
  - b. NQS Generators will receive lower GOG payments, whether committed through DAM or ERUC, than the previous RT-GCG payments. The current settlement design for the RT-GCG program incorporates less potential wholesale market revenues than is contemplated under the GOG settlement process included in the MRP Amendments. As a result, the same operating profile with the same energy prices, could result in different compensation levels for NQS generators pre- and post-MRP, with the Market Renewal result being economically worse;

- c. NQS Generators will receive lower wholesale and operating reserve (“OR”) revenues in periods where Market Power Mitigation is applied than under the current Market Power Mitigation Framework. The current wholesale market does not include *ex ante* mitigation of financial and non-financial parameters. As part of the MRP Amendments, Market Power Mitigation may potentially lower energy offers and other parameters across the entire wholesale market, which will result in lower revenues (all else being equal) than the current market design; and
  - d. NQS Generators may receive lower revenues in the form of make-whole payments and the LMP than previous revenues from CMSC payments plus the uniform market clearing price under the IAM. Under the current Market Rules, CMSC payments are made for a variety of reasons beyond what is contemplated for make-whole payments under MRP Amendments, including as a result, for example, of the 3-times ramp rate that is included in the unconstrained schedule (i.e. market schedule).
10. The combination of the harms described in the previous paragraph resulting from the discriminatory MRP Amendments will result in lower total revenues from the IAM than under the current Market Rules for NQS Generators. Other classes of market participants are not experiencing harm from the MRP Amendments to the same degree as NQS Generators, if at all. The MRP Amendments fundamentally change the financial interaction of NQS Generators with the IAM. While the harms experienced by NQS Generators may be addressed through various interrelated means (such as contract changes, Market Rule changes, and provincial policy, among other options) the fact is that the harms are resulting from the MRP Amendments as currently proposed. If the MRP Amendments are revoked, the harms experienced by NQS Generators cease to be a concern.

### **The Relevance of the Deemed Dispatch Agreements to the Amendments**

11. These MRP Amendments must also be read in the context of both the IESO’s Resource Adequacy Framework and the contract design for NQS Generators. In terms of Resource Adequacy, the IESO explains that this is its “*long-term competitive strategy to acquire*

*resources while balancing ratepayer and supplier risks and recognizing the unique characteristics and contributions of different resource types.”*<sup>5</sup> In terms of the contract, all of the NQS Generators’ Deemed Dispatch Agreements account for the current Market Rules and for revenues earned in the IAM as it is currently designed.

12. The Resource Adequacy Framework combines a suite of short-term, medium term and long-term tools that the IESO uses to meet its forecasted capacity and reliability needs. In the short term, the IESO has planned regular capacity auctions (under the IESO Market Rules) which are used to procure capacity and improve resource reliability and market performance without locking into long-term commitments. In the medium term, capacity, energy, and other operational requirements are being procured, *inter alia*, through competitive Requests for Proposals (“RFPs”) that result in contracts with a medium duration commitment period (e.g., 5 years). Over the long-term, the IESO facilitates investment in new builds or major upgrades to existing resources through competitive RFPs that result in longer-term contracts.
13. Nearly all generation assets in the IAM operate in tandem with both the Market Rules and contracts related to the assets. In prior cases, these two components have diverged and created conflict and, in some cases, resulted in applications to the OEB to review the proposed amendments to the Market Rules (e.g., EB-2007-0040, EB-2013-0010, and EB-2019-0242). In short, neither the Market Rules or the contracts (or the design of the contracts) operate in isolation, both are intertwined.
14. Many of these medium and long-term contractual arrangements are designed to operate in and with the IAM. To properly understand the impact of the MRP Amendments on a specific market participant, or certain classes of market participants, that have such a contract, it is essential to understand:
  - a. How the contract, together with the IAM, impacted the market participant, or class of market participants, prior to the implementation of the MRP Amendments; and

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<sup>5</sup> <https://www.ieso.ca/Sector-Participants/Planning-and-Forecasting/Resource-Adequacy-Framework>

- b. How the contract, together with the IAM, impacted the market participant, or class of market participants, after the implementation of the MRP Amendments.
15. The IESO has expressly acknowledged the implications of the MRP Amendments to electricity supply contracts,<sup>6</sup> and has “*committed to working with electricity supply contract counterparties that are market participants to understand contract implications and address any changes throughout the design of the Market Renewal Program (MRP).*” This statement by the IESO implicitly acknowledges that the Market Rules and electricity supply contracts are not mutually exclusive.
16. The IESO has stated that it is “...not an objective of the IESO to extract financial value from contracts by the way of MRP ... The IESO intends to maintain the allocation of risk and reward that has been established by the contracts to the greatest extent possible, including, where applicable, the impacts of market rule changes.”<sup>7</sup> However, there is a misalignment between the IESO’s stated intention and its actions in the MRP Amendments.
17. The NQS Generation Group is most directly impacted by what the IESO has called its “Clean Energy Supply (CES) Contracts” work-stream, pursuant to which between September 2019 and June 2024 the IESO has held a number of stakeholder engagement sessions and proposed a series of term sheets, the most recent of which was published in June 2024 and provides, in part (the “**Term Sheet**”):

*“Based on the Detailed Design Documents and the provisional IESO Market Rule amendments, the IESO anticipates that a requirement for a Replacement Price and Replacement Provisions will be triggered under (i) Section 1.7 of the Contract, addressing the opening of a Day Ahead Energy Forward Market and (ii) Section 1.8 of the Contract, addressing the occurrence of a Price Evolution Event (namely the implementation of Locational Marginal Pricing).”*

[...]

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<sup>6</sup> <https://www.ieso.ca/Market-Renewal/Background/MRP-implications-to-electricity-supply-contracts>

<sup>7</sup> *Supra* footnote **Error! Bookmark not defined.**



*“In entering into the MRP Amending Agreements, the Parties will agree that the Replacement Price and Replacement Provisions satisfy any and all obligations each Party has to the other under the applicable Contract in connection with the IESO Market Rule amendments implementing the energy stream of MRP as of the date of the MRP Amending Agreement.”*

18. The MRP Amendments, when considered together with the IESO’s proposed Term Sheet amendments, are unjustly discriminatory and inconsistent with Subsections 1(d), (g) and (i) of the *Electricity Act, 1998*. The MRP Amendments have fundamentally failed to address the harms caused by, among others, the replacement of the RT-GCG program, the introduction of three-part offers regarding the commitment and dispatch of NQS Generators and how LMPs will be determined, and the significantly more complex optimization engine in both the DAM and the Real-Time Market (“**RTM**”) that is expected to result in less commitment and dispatch and lower commitment payments, all else being equal. These harms were addressed in more detail previously. The NQS Generation Group has communicated its concerns with the MRP Amendments to the IESO and to-date those concerns have not been sufficiently addressed to satisfy the legal test under section 33(9) of the *Electricity Act, 1998*.

***The Deemed Dispatch Model Contained in the Deemed Dispatch Agreements and the Interaction with the MRP Amendments***

19. Each of the Deemed Dispatch Agreements at issue in this Application utilize a deemed dispatch, or imputed net revenue, model to calculate contractual settlements.

One way to understand the contractual settlement process is to assume that, for contractual purposes, the IESO has created a “virtual power plant”. The contract imputes net revenue to this “virtual power plant” based on assumed and modelled behaviours in, and outcomes from, the IAM.

20. Prior to the MRP Amendments, to the extent the physical generator operates in a manner consistent with the assumed and modelled behaviour of the “virtual power plant”, the net revenues the generator receives from the IAM would largely mirror the imputed net revenues

under the contract. In short, the current Market Rules and the Deemed Dispatch Agreements were aligned – particularly in relation to the RT-GCG program – in how they included commitment and dispatch in the wholesale market, which allowed NQS Generators to more accurately operate their facilities to align with the contract design and actual revenues earned in the wholesale market.

21. Similarly, prior to the MRP Amendments, to the extent the physical generator does not operate in a manner consistent with the assumed and modelled behaviour of the “virtual power plant”, the net revenues from the IAM may be less than (or greater than) the imputed net revenues under the contract. Under the MRP Amendments, the link between how the physical generator is operated, committed and dispatched and how it’s modelled under the Deemed Dispatch Agreements, is broken. The link is being broken by, and the financial impact is being incurred, as a result of the MRP Amendments.
22. The differences between the imputed net revenue under the contract and actual net revenue earned under the IAM is fundamental to understanding the unjustly discriminatory nature of the MRP Amendments.
23. As a consequence of the harms laid out in paragraph 9 and the broken link described in paragraph 21, following the MRP Amendments (and as will be more fully demonstrated in evidence) the NQS Generation Group is expected to suffer harm first due to changes in how they are committed, dispatch and settled in the IAM, and second due to the divergence as between those IAM factors and treatment under their existing Deemed Dispatch Agreements (even after assuming all of the changes proposed in the IESO’s form of Term Sheet are made) including, without limitation:
  - a. Commitments under MRP will be determined by the economics of a generator’s three-part offer for subsequent hours prior to real-time dispatch, whereas the Deemed Dispatch Agreements continue to determine assumed operations based on incremental energy offers only on an hour-by-hour basis. As a result, NQS Generators will be rendered less competitive and be committed less under MRP than they are today (all else being equal). Despite this market impact, there is no

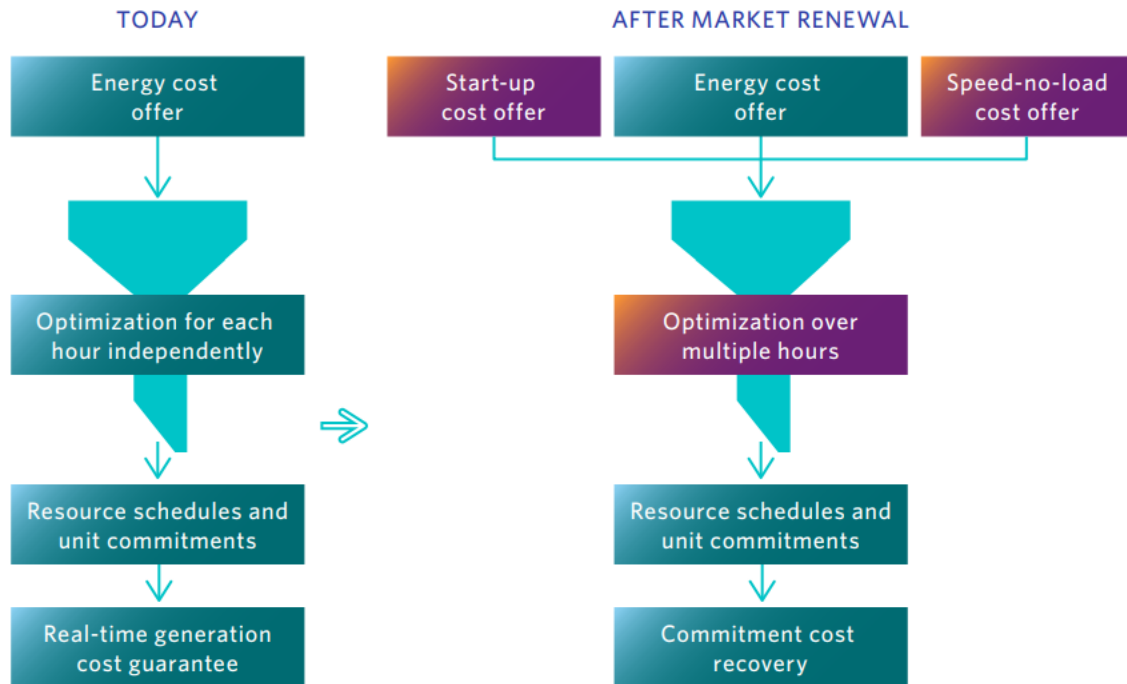
commensurate reduction in assumed competitiveness or commitment under the Deemed Dispatch Agreements, resulting in a reduction in actual net IAM revenues relative to imputed net contract revenues – economically harming a class of market participants.

- b. the marginal generation unit will be published (i.e., LMPs), which provides insufficient information for a NQS Generator to assess why it did, or did not, receive a commitment. This is not the case prior to MRP, where published wholesale energy prices are sufficient to understand why a NQS Generator received or didn't receive a commitment (because of the RT-GCG program). Following MRP, the increased complexity of the commitment process makes it a "black box" that will not allow NQS Generators to assess why their facilities failed to receive a commitment despite appearing economic (even after the fact).
- c. Commitments under MRP will incorporate the impact of physical constraints elsewhere on the grid, whereas the Deemed Dispatch Agreement will consider no such constraints, only the purported after-the-fact economics. By incorporating these constraints under MRP, NQS Generators may fail to receive a commitment, despite appearing economic after-the-fact. This will result in a reduction in actual net IAM revenues relative to assumed net contract revenues.
- d. The RT-GCG program is the primary means of a NQS generator receiving a commitment in the current market, serving as a critical hedging tool to deemed operation. MRP will eliminate this program and commit NQS generators via the DAM and ERUC, neither of which provide the same hedging opportunities as the RT-GCG program.
- e. The current pricing algorithm uses a 3x ramp rate and an unconstrained dispatch algorithm to dampen price volatility and ultimately lower Hourly Ontario Energy Price ("HOEP") levels. Under MRP, a 1x ramp rate and a constrained dispatch algorithm will be used which will add volatility to LMPs relative to HOEP. More

volatility increases the risk that generation units are running when it is uneconomical to do so.

- f. The IESO's detailed design documents (available at the links provided in footnotes 1, 2 and 4 above) are clear that optimizing over an entire day may result in commitment that may not be strictly economic in nature. The existing Deemed Dispatch Agreements (even after assuming all of the changes proposed in the IESO's form of Term Sheet are made) do not optimize over an entire day.
- g. With three part offers, only the incremental energy offer is eligible to set price. This does not reflect the actual cost to produce energy and could result in the reduction of actual net revenues for all suppliers.
- h. Elimination of the double trigger for imputed start-up. Under the current contract, both the Pre-Dispatch (PD)-3 and real-time wholesale energy price (i.e., HOEP) needs to exceed the Variable Energy Cost (VEC) for an hour to count as an imputed start-up hour. Under IESO's the Term Sheet, the double trigger has been replaced with a single test, whether the DAM price exceeds the VEC. Reducing the threshold for an imputed start up hour from two tests, to a single test, increases the likelihood of an imputed start up hour, all else being equal. Note that the double trigger criteria for shutdown remains, requiring multiple hours where the market prices are below VEC. The net effect of these two facts is to make imputed start-ups more frequent while maintaining the same conditions for imputed shutdowns. This, on its own, will result in more imputed production hours under the Term Sheet relative to the current contract, all else being equal, and more imputed net revenue than actual net market revenue.

**Figure 1: MRP Changes to the MRP Unit Commitment Process**



### **Alternatives to the Deemed Dispatch Model**

24. To the best of the knowledge and belief of the NQS Generation Group, Ontario is the only jurisdiction in Canada or the United States that has utilized a unique “deemed dispatch model” for gas-fired generators.
25. Consequently, it is perhaps unsurprising that there are viable alternatives to the deemed dispatch model that could be used by the IESO to incent performance and settle gas-fired generators. One such example would be to adopt elements of capacity style contracts more commonly used across North America and which the IESO successfully used for its LT1 RFP and eLT1 RFP procurement processes. The IESO is currently proposing to use a capacity style contract again for the capacity stream of its proposed LT2 RFP procurement.

### **The MRP Amendments**

26. These concerns with the MRP Amendments were known by the IESO and were specifically raised in the covering memorandum before the IESO Board of Directors immediately prior to their approval:<sup>8</sup>

Lastly, Technical Panel members and stakeholders continue to assert the importance of arriving at an acceptable resolution on gas generator contracts.

27. The IESO Board of Directors were aware of the NQS Generation Group's concerns and harms with the MRP Amendments raised in this Application but decided to approve the Amendments anyways.
28. Given the short legislative timelines and the lack of appropriate measures to mitigate the financial harm caused by MRP Amendments, the NQS Generation Group was left with no option other than to submit this Application under section 33(4) of the *Electricity Act, 1998* on the basis that the MRP Amendments are: (a) inconsistent with the purposes of the *Electricity Act, 1998*; and (b) unjustly discriminatory against a market participant or class of market participants.

### **C. GROUNDS FOR THE SECTION 33(4) REVIEW APPLICATION**

29. At the heart of this Application is the concept that but-for the MRP Amendments, the harmful consequences would not flow to the NQS Generation Group. In other words, the cause of the harm set out in the Application is resulting from the MRP Amendments,
30. Over the past five (5) years, the IESO has refused to acknowledge and propose a resolution to concerns raised by the NQS Generation Group regarding unjust discrimination and inconsistency with the purposes of the *Electricity Act, 1998* resulting from the MRP Amendments. The IESO decided to publish the MRP Amendments in the face of those

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<sup>8</sup> IESO, MRP, Materials provided to the IESO Board for discussion – Memorandum from Technical Panel Chair, 11 October 2024, online: <<https://www.ieso.ca/-/media/Files/IESO/Document-Library/markets-committee/mc-20241017-Board-Memo-Final-Alignment.pdf>>

concerns and despite acknowledging that the MRP Amendments will result in contractual implications for Deemed Dispatch Agreements held by the NQS Generation Group.<sup>9</sup>

31. The effect of implementing the MRP Amendments without first addressing the unjust treatment of the NQS Generation Group is to unjustly discriminate against a market participant or class of market participants, particularly:

- a. The harms to be suffered by members of the NQS Generation Group as a consequence of the MRP Amendments, including without limitation those harms summarized in paragraphs 9 and 23 above.
- b. Implementation of the MRP Amendments prior to resolving contractual amendments to the Deemed Dispatch Agreements results in an unequal bargaining position in favour of the IESO.

32. The MRP Amendments are also inconsistent with the purposes of the *Electricity Act, 1998*, including:

- (d) to promote the use of cleaner energy sources and technologies, including alternative energy sources and renewable energy sources, in a manner consistent with the policies of the Government of Ontario;
- (g) to promote economic efficiency and sustainability in the generation, transmission, distribution and sale of electricity; and
- (i) to facilitate the maintenance of a financially viable electricity industry.

33. The use of a deemed dispatch, or imputed net revenue, model in contractual arrangements following the implementation of the MRP Amendments is inconsistent with Subsections 1(d), (g) and (i) of the *Electricity Act, 1998* and fails to offset the discriminatory financial harm imposed by the MRP Amendments:

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<sup>9</sup> IESO's Approach to Amending Market Participant Contracts in Response to the Market Renewal Program, online: <<https://ieso.ca/-/media/Files/IESO/Document-Library/market-renewal/IESO-Approach-to-implement-MRP.ashx>>

- a. The NQS gas generation facilities operated by the NQS Generation Group are from clean energy sources and the Ontario Government states these facilities “play a key role in supporting grid reliability”.<sup>10</sup> However, MRP will not promote the use of these facilities, rather MRP will result in these facilities being dispatched less often.
- b. The NQS Generation Group construct and operate their generation facilities based on a reasonably predictable regulatory framework and financial return. Financially adverse MRP Amendments to the Market Rules midway through the term of a Deemed Dispatch Agreement (without any certainty of cost recovery resulting from those amendments) undermines market confidence in the economic efficiency and financial sustainability of electricity generation in Ontario.

#### **D. CLOSING**

34. For all of the foregoing reasons, the NQS Generation Group reiterates the request for relief set out in paragraph 2 of this Application.
35. Following disclosure by the IESO under section 6.3 of its Operator Licence EI-2013-0066 and the information requested in Schedule A, the NQS Generation Group proposes to file additional evidence as and when permitted by the OEB.

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<sup>10</sup> Ontario, Powering Ontario's Growth – Ontario's Plan for a Clean Energy Future, July 2023, p.49.



**Schedule A**

**Additional materials requested to be produced by the IESO in relation to the pending appeal of the Market Renewal Program (“MRP”) amendments under section 21 of the *Ontario Energy Board Act, 1998*.**

1. Information relating to the impact of MRP on the NQS Generation Group, including all materials, analysis, correspondence, and records related to:
  - a. how the IESO’s stated intention of not extracting financial value from contracts with the NQS Generation Group was considered, planned, and executed under MRP;
  - b. how the IESO’s stated intention of maintaining the allocation of risk and reward that has been established by contracts with the NQS Generation Group to the greatest extent possible under MRP was considered, planned, and executed;
  - c. how the IESO compensates market participants under MRP for facility startup costs previously recovered in the RT-GCG program;
  - d. how the IESO envisioned, planned, and executed the integration of the deemed dispatch model into MRP, including the economics, risk, and scheduling aspects of the deemed dispatch model with existing contracts;
  - e. how the IESO considered, planned, and executed on the lack of transparency in market pricing and scheduling signals under MRP, since a lower incremental energy offer will not necessarily guarantee dispatch;
  - f. how the IESO intends to address the lack of transparency in (e);
  - g. Annual savings from changes to in the design and settlement of commitment programs for NQS generators;
  - h. The dispatch and commitment of NQS generators in the energy market under the current Market Rules compared to the MRP Amendments;
  - i. The impact of financial settlement using Make Whole Payments (MWPs) compared to Congestion Management Settlement Credits (CMSCs) for NQS generators;
  - j. Review of the design of the current deemed dispatch contracts with NQS generators compared to contracts with similar NQS assets in other competitive wholesale markets;
  - k. The number of instances when assets – NQS and other non-NQS assets – will be dispatched out of economic merit based on incremental energy offers;
  - l. Pricing analysis in the various energy zones under the current Market Rules compared to the MRP Amendments;

- m. Impact on historical imputed production by moving to a single trigger startup (i.e. if generators were re-settled in the past using a single trigger, how would have imputed production changed).
  - n. The potential decrease to system cost by allowing multiple offer windows in the day ahead (MRP is currently one and done, with little transparency).
2. Information relating to the consistency of the MRP Amendments with the purposes of the *Electricity Act*, including all materials, analysis, correspondence, and records related to:
- a. how the MRP Amendments impact the scheduling and dispatch of market participants;
  - b. Updates to the original benefits case for MRP and the current savings that are expected from the MRP Amendments;
  - c. Updates to market design changes included in the MRP Amendments in response to commitment and dispatch concerns raised by Market Participants throughout the MRP stakeholder engagement process;
  - d. Design or changes to the contracts included in the Long-Term and Medium-Term procurements in response to the MRP Amendments; and
  - e. The financial impact (negative or positive) on changes to NQS and non-NQS Market Participants as a result of the MRP Amendments.