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BRIEFING NOTE

To: IESO LRP Group

From: Offices of the OEA

Date: Friday, February 20, 2015

cc: Shawn Cronkwright
JoAnne Butler

Subject: RECOMMENDATIONS TO THE IESO FOR SNCI SCREENING PROCESS

Through consultations with its members who are Qualified Applicants for the LRP I process and in response to the IESO LRP update and teleconference on Tuesday, February 17, 2015, the Ontario Energy Association (OEA) has prepared the following **three recommendations** to address the SNCI process issues and concerns that were expressed.

1. SNCI SCREENING PROCESS

The IESO should **modify its SNCI screening process methodology** so that applicants can potentially have more than three circuits screened while not increasing workload for IESO staff. The OEA proposes the following method which will **accomplish both of these objectives** while still guaranteeing that all Qualified Applicants have at least two circuits screened:

a. Each applicant submits a ranked list of all circuits they would like screened.
b. IESO examines list of all first-ranked circuits, removes any overlaps/duplications, and then screens all first-ranked circuits. TAT table showing results of first screening is published, and IESO records how many circuits were actually tested.
c. IESO examines list of all second-ranked circuits, removes any overlaps/duplications among first- and second-ranked circuits, and then screens all second-ranked circuits. TAT table showing results of second screening is published, and IESO records how many circuits were actually tested.
d. IESO examines list of all third-ranked circuits, removes any overlaps/duplications among first-, second- and third-ranked circuits, and then screens all third-ranked circuits. TAT table showing results of third screening is published, and IESO records how many circuits were actually tested.
e. Repeat recursively until there are no more circuit screening requests to complete OR until, at the end of a round, the total number of circuits screened in all rounds nears the maximum the IESO is capable of testing (according to the IESO: between 84 and 126).
f. Following the round where the IESO has determined it is reaching its upper limit for screening circuits, there should be a final round.

g. In the final round the IESO will first screen the single highest-ranked remaining circuit of the applicant who has qualified for the greatest total number of megawatts.
h. The IESO will then screen the single highest-ranked remaining circuit of the applicant who has qualified for the second-greatest total number of megawatts.
i. Continue to screen one circuit per applicant in descending order (in terms of MWs qualified for) until the IESO has screened the maximum number of circuits it is capable of screening (according to the IESO: between 84 and 126).

The industry would benefit from the IESO stating its intended timelines for publishing TAT tables following each round of screening (for example: publish a round's results within one week of publishing the previous round's results)

NOTE: An illustration of the proposed screening process is provided in the addendum.

2. TIMELINES

Maintaining the original LRP timeline is essential (March 3 for rules and September 1 for submission of bids). The OEA recognizes that the IESO's consultations this week on the SNCI screening process may have some impact on the screening timelines, and so in the hopes of maximizing the number of circuits the IESO can screen we recognize that April 15th may be too early to complete *all* 126 possible circuit screenings.

The OEA has proposed the above solution in the expectation that there will inevitably be overlap in the circuits submitted by various applicants; indeed, the IESO has indicated that there are only about 200 circuits that might actually be available, further increasing the likelihood of overlap. The OEA's proposal will therefore allow the IESO to test more than two circuits per applicant while still capping the total number of screenings at that originally proposed by the IESO (i.e. somewhere between 84 and 126).

With regard to those Qualified Applicants who have already submitted their original three circuits to the IESO for screening under the previous process, the OEA would suggest the IESO offer those applicants the chance to resubmit a prioritized list of all previously requested circuits so that they can be processed in accordance with the new screening process.

In the IESO teleconference with Qualified Applicants on February 17 the IESO expressed concern that screening more than 84-126 circuits would delay the implementation of later stages of the LRP I process. **The OEA's proposal does not require the IESO to screen more circuits than it had originally committed to doing and thus does not delay the LRP process.**

3. CONNECTION RISKS

The OEA would also like to offer a general comment on the some of the issues that have been encountered to date in the LRP I process: namely, the OEA feels that all issues resulting

from the IESO's proposed SNCI process stem from the inability of Qualified Applicants and Registered Proponents to mitigate the risk of assessing the availability of capacity at an exact connection point. The OEA understands that the IESO can never guarantee an exact capacity, and is not asking for an exact process. However, the current risks associated with the TAT screening process, if it continues without any changes, will continue to negatively affect the health of the competition and put upward pressure on price.

There are some solutions to mitigate these risks and the OEA feels that in order to create the conditions for a strong, competitive bid process, and we recommend the following be incorporated into the LRP I process:

a. Firstly, Registered Proponents should be allowed to **submit variations on their projects** by submitting different sizes and different bid prices via multiple proposal submissions in response to the LRP I RFP. This will require a change to the draft LRP I RFP. Allowing variations in size and associated bid price will provide for better value to the rate payer. Otherwise, applicants will be submitting bid prices pegged to the lower capacity threshold for the project in order to ensure returns are made regardless of capacity awarded

b. Secondly, as an additional mechanism to help mitigate connection risks and unforeseen connection costs, provisions should be added to the LRP I Contract that **specify timelines to start CIAs** (and, if applicable, SIAs) in order to determine connections costs, network impacts, and potential network upgrades relatively soon after LRP I Contracts have been executed. A provision in the LRP I Contract affording options to address abnormal connection issues if they arise after completion of CIAs and SIAs (e.g., stop developing the project and terminate the LRP I Contract with no penalties, agree to share or fund network upgrade costs if applicable, or simply proceed because connections costs are reasonable and no network upgrades are required) will help address shortcomings with the proposed SNCI process. These provisions will require changes to the draft LRP I Contract.

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Addendum: Illustrative Spreadsheet for Recommendation #1

Assume there are 6 Qualified Applicants (QA) that are participating in the LRP I and that the IESO has the resources to perform 18 total SNCI screenings and can complete on average 2 SNCI screenings per business day.

Under the proposed adjustments to the SNCI framework, each QA would submit a priority list of all network circuits they wish to have screened under the SNCI process. The IESO would screen each round of submissions and publish the results after each round. The SNCI screening would conclude when either all of the network circuits submitted have been screened or the maximum number of circuits that the IESO can screen has been reached.

	Priority Ranking of Circuits						
	Round 1	Round 2	Round 3	Round 4	Round 5	Round 6	Round 7
QA 1 (Highest MW Qualified)	A1	A2	C2	C3	L1	E1	E2
QA 2 (2nd Highest MW Qualified)	B2	B1	J1	J2	H1	F1	F2
QA 3	C1	C2	J2	J1	L2	M1	
QA 4	D1	D2	K1	K2			
QA 5	B2	B1	J2	H1			
QA 6	A2	A1	B2	B1			
Unique Circuits Requested in Round	5	3	3	3	2	2	
TAT Table updated on	Day 3	Day 5	Day 7	Day 9	Day 10	Day 11	
Total Circuits Screened After Round	5	8	11	14	16	18	

IESO could conclude after round 6 when 18 screens have been completed. The 6th circuit submitted by QA 3 and 7th circuit submitted by QA 1 would not be screened in this example.

This approach provides more circuit information to QA while not increasing the resource needs at the IESO to complete the screening. Updating the TAT Table after each round of screening provides information quicker to QA to being to start decision making processes.