



The Corporation of the Town of Tecumseh

Public Works & Engineering Services

To: Mayor and Members of Council

From: Phil Bartnik, Director Public Works & Engineering Services

Date to Council: September 12, 2023

Report Number: PWES-2023-62

Subject: IESO Market Participant for the Tecumseh Arena and Manning Road Storm Pump Station Generators

Recommendations

It is recommended:

That Report PWES-2023-62 entitled IESO Market Participant for the Tecumseh Arena and Manning Road Storm Pump Station Generators **be received**;

And that By-Law 2023-093 **be considered for** first, second, third and final reading, to authorize the Mayor and Clerk to execute an agreement, satisfactory in form to the Town's solicitor, with Essex Energy Corporation to include the Tecumseh Arena and Manning Road Storm Pump Station Generators in the IESO Capacity Auction;

And further that the Town's solicitor **provide reasonable notice** to Genset Resource Management Inc. (GenSet) of termination of the expired 2007 Standby Generator Operation and Maintenance Agreement, as contained within By-law 2007-34, and request removal of the Tecumseh Arena Generator from the IESO Operating Reserve Market.

Background

The Town previously had two (2) generators within the IESO Operating Reserve Market through an agreement with Genset Resource Management Inc. (GenSet) that would allow for energy to be exported to the electrical distribution grid during periods of peak

usage. The Arena generator (at 1.0 MW) was in the program since 2007, and the Manning Road Storm Pump Station generator (at 0.8 MW) since 2013. Revenues from the past market participation have been equally divided between three parties: the Town of Tecumseh, GenSet, and Essex Energy Corporation (EEC).

The IESO Operating Reserve Market has seen an influx of resources in recent years which has increased competition and, as a result, the program is not as lucrative as it once was. GenSet has stopped participating in the program which has caused the Town's two generators to be removed from the IESO Operating Reserve Market.

Comments

IESO Capacity Auction

Through discussions with EEC there is another program called the IESO Capacity Auction which has allowed participation from generation resources since 2021. EEC is a registered Capacity Auction Participant and has been successfully participating in the program with the County of Essex's generators for the past few years.

The IESO Capacity Auction occurs once a year to acquire capacity resources for the Summer (May 1st to October 31st) and Winter (November 1st to April 30th) periods. There are two types of payments for the program, (i) the **Availability Payment**, which would be paid monthly regardless of whether the generator is dispatched; and (ii) the **Energy Payment** which is payment for energy that is dispatched and exported to the grid.

EEC has presented the Town with an agreement to utilize the Arena and Manning Road Storm Pump Station generators in the IESO Capacity Auction program with the revenues being split 50/50. This agreement, if executed, would allow for the Town's generators to be transferred from GenSet to EEC with regards to the IESO Registration, thus avoiding de-registration.

Key differences between the IESO Operating Reserve Market and the IESO Capacity Auction Agreements would be:

- EEC would be the IESO Registered Market Participant, Owner and Operator;
- EEC will be responsible for the Metering Service Provider (MSP) Metering costs;
- The Town will be responsible for generator maintenance;
- EEC will be responsible reimbursement of fuel consumed for market dispatch;
- Revenue earned by the resources will be split 50/50 between the Town and EEC;

- The generators are only obligated to be available on business days (Summer 12:00-21:00 EST, Winter 16:00-21:00 EST). Previously they were on standby 24/7 in the IESO Operating Reserve program.

Standby Generator Operation and Maintenance Agreement (By-law 2007-34)

The Town solicitor has reviewed By-law 2007-34 and the Standby Generator Operation and Maintenance Agreement. The Agreement expired in 2012 and does not contain an 'auto-renew' clause. However, both the Town and GenSet have treated the contract as continuing up until recently, notwithstanding the term expiring.

Although the Town's generators have already been removed from the IESO Operating Reserve program (by GenSet), it is recommended that the Town give reasonable notice, in the form and manner specified in the agreement, that the Town no longer intends to follow the original terms of the expired Agreement; and provide notice for GenSet to remove its equipment.

Consultations

Financial Services
Legislative Services & Clerk
Essex Energy Corporation
Essex Power Corporation

Financial Implications

With both the Arena and Manning Road Storm Pump Station generators previously exporting electricity back to the electrical distribution grid, there would be no upfront or capital costs to the Town as part of entering the IESO Capacity Auction program.

EEC has provided historical Capacity Auction Clearing Prices, as depicted below.

West Zone – Capacity Auction Clearing Price (\$/MW – day)		
Auction Year	Summer (May 1 to Oct 31)	Winter (Nov 1 to Apr 30)
2019	\$ 160.64	\$ 114.35
2020	\$ 197.58	\$ 0.00
2021	\$ 264.99	\$ 60.00
2022	\$ 313.79	\$ 130.78

In the Winter of 2020, the Clearing Price was \$0 as it was significantly impacted by the COVID-19 pandemic. However, the trends for both Summer and Winter over the four-year period has shown a continued increase.

The IESO Capacity Auction program allows for revenues to be achieved through Availability Payment and Energy Payment. Energy Payments would vary throughout the year and would be based on energy that is dispatched and exported back to the grid. The average runtime for the County of Essex’s Sun Parlour and Civic Centre generators is approximately 4 hours (Summer Period) and 1.5 hours (Winter Period), with an average dispatch duration of 16 and 10 minutes respectively.

The below table depicts the Availability Payment if the Town was participating in the IESO Capacity Auction today. The revenue depicted below would then be split 50/50 between the Town and ECC.

Availability Payment (2022-2023)				
Period	# of Business Days	Generator Capacity (MW)	Clearing Price (\$/MW/d)	Period Gross Availability Revenue
Summer	126	1.8	\$ 313.79	\$ 71,167.57
Winter	125	1.8	\$ 130.78	\$ 29,425.50
Annual Total Revenue:				\$ 100,593.07

Link to Strategic Priorities

Applicable	2023-2026 Strategic Priorities
<input checked="" type="checkbox"/>	Sustainable Growth: Achieve prosperity and a livable community through sustainable growth.
<input type="checkbox"/>	Community Health and Inclusion: Integrate community health and inclusion into our places and spaces and everything we do.
<input type="checkbox"/>	Service Experience: Enhance the experience of Team Tecumseh and our citizens through responsive and respectful service.

Communications

Not applicable

Website

Social Media

News Release

Local Newspaper

This report has been reviewed by Senior Administration as indicated below and recommended for submission by the Chief Administrative Officer.

Prepared by:

Phil Bartnik, P.Eng.
Director Public Works & Engineering Services

Reviewed by:

Tom Kitsos, CPA, CMA, BComm
Director Financial Services & Chief Financial Officer

Reviewed by:

Robert Auger, LL.B.
Director Legislative Services & Clerk

Recommended by:

Margaret Misek-Evans, MCIP, RPP
Chief Administrative Officer

Attachment Number	Attachment Name
None	None