

JULY 14, 2022

Continuing Steps to Meeting Ontario's Growing Electricity Needs

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Purpose of Today's Information Session

- Provide an overview and update on the IESO procurement processes
- Prepare communities for the next steps in the Long-Term Request for Proposal process
- Continue to seek input on what is needed to support communities in their role in this procurement process
- Hold separate, targeted discussions with municipalities and Indigenous communities to review feedback heard and inform next steps of engagement

Context Recap: Meeting Ontario's Future Electricity Needs

- The province's electricity system is shifting into a period of sustained demand growth
- This period of growing electricity demand will mean that Ontario will need all existing resources, as well as new sources of electricity supply
- The IESO is using various procurement mechanisms to reliably address these electricity needs
- Today's session will focus on the design and next steps of the Long-Term procurement process

Recap: Engagement with Communities

January 2022: LT1 RFP development launched by IESO

March 2022: Dedicated Long-Term RFP [community engagement webpage](#) posted to the IESO website

April 2022: Information sessions held for municipalities and Indigenous communities; invited discussion and sought early input about priorities and how communities can be involved- community feedback and IESO response to feedback posted

June 30 2022: LT1 RFQ Submission Deadline

Today: Information session for municipalities and Indigenous communities to provide update and seek input to inform engagement next steps; LT1 RFQ submissions under review

Agenda

- Overview and update of LT1 RFP and Expedited Process procurement mechanisms, including:
 - Procurement Milestones
 - Location considerations and preferred areas
 - Long-Term Request for Qualifications (LT1 RFQ)
 - Draft contract design elements
- Next steps
- Breakout discussions

Municipal and Indigenous Community Involvement

- Municipalities and Indigenous communities are critical to the success of the LT RFP procurements to ensure that Ontario continues to have the electricity supply it needs to support local, regional and provincial economic growth
- Working together with communities and industry stakeholders will help us design a process that considers everyone's needs and priorities

Why it matters:

- New facilities may be proposed by developers on **municipal lands** which may require municipal permission (e.g., permits) and/or municipalities may be interested in being involved with project proposals
- **Indigenous communities** may be partners on projects, developers of projects, or engaged by developers for projects in their traditional territories

What We Heard from You

The IESO should:

- Inform and engage with communities in a timely manner
- Incentivize proponents to better understand, interact and collaborate with communities
- Keep economic development top of mind to meet future needs
- Continue to provide support and guidance on how to work with proponents
- Encourage innovative technologies

Thank you for your continued interest in this important initiative



Overview/Update of LT1 RFP and Expedited Process Procurement Mechanisms

Planned Actions Work Together to Ensure Reliability & Manage Uncertainties

2022
-
2024

Solutions are in place to meet needs as a result of efforts already underway.

2025
-
2026

Supply needs increase following Pickering retirement. The IESO will work with sector participants and communities this summer to confirm options to best meet these needs.

2027
+

Longer-term electricity demand continues to grow requiring new supply solutions beyond what is already planned.

SOLUTIONS

Short
Term

- Increase annual capacity auction target

Medium
Term

- Five-year contracts with existing resources (MT I RFP)

Long
Term

- Contracts with generators to meet local reliability needs or policy needs

- Increase annual capacity auction target
- Capacity Sharing Agreement with Quebec

- Multi-year capacity auction
- Five-year contracts with existing resources (MT I RFP)

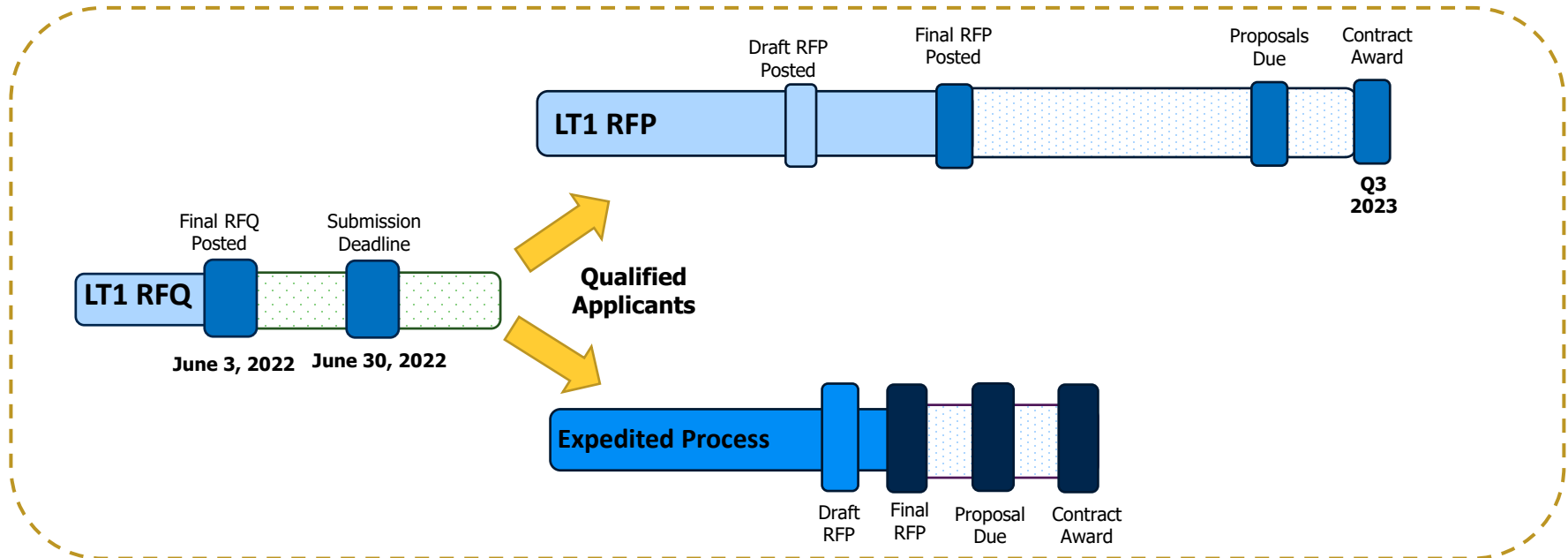
- New energy efficiency programs
- Expansion of existing facilities
- Expedite new facilities

- Capacity auction target adjusted based on need

- Five-year contracts/expansions and upgrades (MT II RFP)

- New capacity, including new facilities (LT RFPs)

Long-Term Procurement Process Milestones



*Timelines are illustrative. RFQ Evaluation is currently ongoing.

The Long-Term Procurement Processes (2)

	LT1 RFP	Expedited Process
Target capacity	~3,500 MW of effective capacity with a minimum duration of 4 consecutive hours	
Term Start	No later than 2027	As early as 2025
Term length	IESO considering potential for 20-year term with potential additional term available for resources able to come online early	Potential for 22-year base term
Locational considerations	Global need with strong preference for resources in the West and East of FETT (approximately GTA and east) zones. Deliverability assessment will be completed to ensure electricity can be delivered when and where it is needed.	
Eligible Resources	Technology agnostic; new-build resources at greenfield sites or co-located at existing sites able to achieve commercial operation no later than 2027.	Technology agnostic; new-build resources at greenfield sites or co-located at existing sites; aim to achieve commercial operation by 2025.
Qualification	Participation in LT1 RFQ required with a minimum project size of 1MW and maximum size of 600MW	Participation in LT1 RFQ required with a minimum project size of 1MW and maximum size of 600MW

Locational Considerations

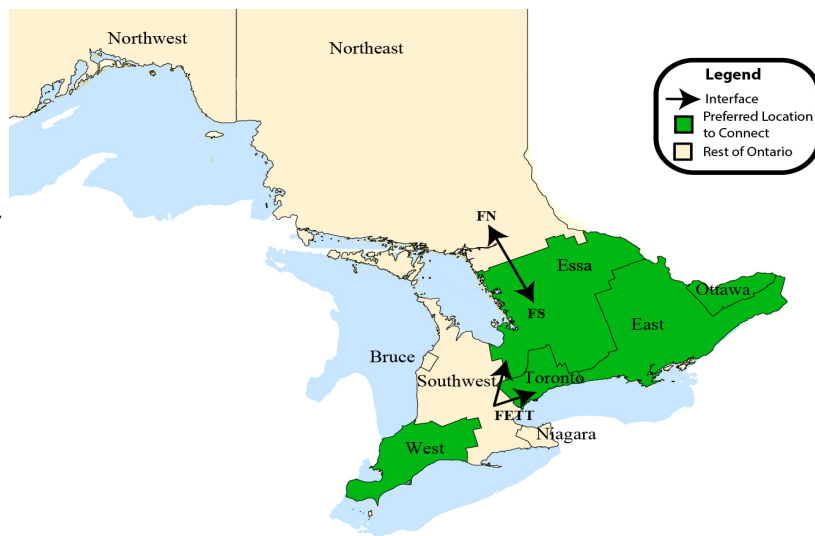
On June 21, the IESO [provided further clarity](#) on preferred areas as well as circuits where connection of new resources will not be allowed. A [Locational Considerations for New Resources](#) guide is available on the IESO website.

Preferred areas include:

- West of Chatham Region (strong preference)
- East of Flow East Towards Toronto (FETT) interface, west of Cherrywood TS (preference)

Transmission circuits where connection will not be allowed include all 500 kV circuits, certain 230 kV circuits and all interconnection circuits

Rated Criteria Points will be awarded based on the different locational values



Updates on the LT1 RFQ

- The LT1 RFQ will qualify applicants for both the LT1 RFP and the Expedited Process.
- RFQ evaluation is currently ongoing and the IESO can note a very high level of interest in both the LT1 RFP and Expedited Process.
- Upon the completion of the evaluation stage, the IESO will aim to announce Qualified Applicants for the Expedited Process, followed by those qualified for the LT1 RFP.
- Note, the entities that qualify via the LT1 RFQ will be able to form partnerships and new special purpose vehicles/entities specific to each individual project to proposal submission.



Mandatory Requirements and Rated Criteria

Procurement Design

- To ensure that the LT1 RFP and Expedited Process are able to meet core system needs, the RFP will lay out a set of minimum operational requirements detailed in a set of mandatory requirements.
- Resources that satisfy the mandatory requirements will be further evaluated based on rated criteria.
- Similar to other prior IESO procurements, rated criteria will seek to reflect certain desirable resource attributes or technical characteristics that contribute to operability or provide additional system value.

Proposed Mandatory Requirements

Site Control and Permitting	<ul style="list-style-type: none">• Proposal is able to demonstrate site access via site access declaration and associated documentation
Community Engagement	<ul style="list-style-type: none">• Proponent must develop and post a Community Engagement Plan• Must hold 1 public meeting with each local community in which the project is proposed to be located
Indigenous/ Municipal Support	<ul style="list-style-type: none">• Proponent must obtain a Municipal Council Support Resolution if the proposed project is to be located on land under municipal jurisdiction• Proponent must obtain an Indigenous Community Support Resolution if the proposed project is to be located "on-reserve"• Proponent must inform Indigenous communities whose Aboriginal and/or treaty rights may be impacted• Successful proponents in the LT1 RFP will be required to re-confirm support after contract execution <p><i>Note:</i></p> <ul style="list-style-type: none">• <i>The IESO recognizes that it will be challenging to meet the requirements outlined for the LT1 RFP given the condensed timing of the Expedited Process, as well as the upcoming Ontario municipal elections. The IESO is contemplating requiring successful proponents to obtain applicable support resolutions after contract execution.</i>• <i>The IESO is looking for feedback on whether a Municipal Council Support Resolution should be a mandatory requirement or rated criteria, which has been the practice in past procurements.</i>

Proposed Rated Criteria

- All Proposals that have passed the Mandatory Requirements stage will have their Rated Criteria evidence evaluated by the IESO, and will be assigned Rated Criteria points
- These Rated Criteria points will equate to a price reduction multiplier that will apply to their proposal price, to be used for comparison/selection purposes only (no impact on the contract price paid to successful proponents)
- The following slides outline Rated Criteria point categories and proposed point amounts that the IESO is considering for the LT1 RFP and Expedited Process
- The IESO may introduce additional categories for Rated Criteria based on internal assessment, as dictated by reliability needs

Rated Criteria – Location

If the Proposed Facility is interconnected to a Transmission System or a Distribution System located within the priority zones shown below, it would be awarded applicable Rated Criteria Points for its locational value

Value	Priority Zones
High	West Transmission Zones
Medium	Toronto, Essa, East, Ottawa
Low	All other locations

See map on slide 15

Rated Criteria – Duration of Service

Proposed Facilities would be awarded applicable Rated Criteria Points for the duration of time they are able to generate electricity

Value	Duration of Service
High	The Proposed Facility is able, under normal operating conditions, to generate electricity for 8 or more consecutive hours
Low/Medium	The Proposed Facility is able, under normal operating conditions, to generate electricity for 5 to 8 consecutive hours
None	The Proposed Facility is able, under normal operating conditions, to generate electricity for 4 hours

Rated Criteria – Indigenous Participation

Applicable to LT1 RFP only:

Proposed Facilities would be awarded applicable Rated Criteria Points for their level of Indigenous participation, evaluated based on economic interest (this Rated Criteria does not apply to the Expedited Process). Proposed values below:

Value	Indigenous Community Participation
High	An Indigenous Community has 50% or more economic interest in the project
Medium	An Indigenous Community has 25% or more, but less than 50% economic interest in the project
Low	An Indigenous Community has 10% or more, but less than 25% economic interest in the project
None	All other Proposed Facilities



LT1 RFP and Expedited Process Term Lengths

LT1 RFP and Expedited Process Term Length

- In response to feedback on the importance of term length to support investment, the IESO is considering a revised term length for the LT1 RFP
- The term the IESO is considering for the LT1 RFP is 20 years, with terms ending in 2047
- Considerations for the Expedited Process have also been modified, taking into account the importance of term length (22 years), while also considering additional incentives for resources able to enter service by the commercial operation date (May 1, 2025)

LT1 RFP and Expedited Process Term Length (2)

Procurement	Proposed Commercial Operation Date (COD)	Term and Incentive Under Consideration	Contract Term End Under Consideration
LT1 RFP	May 1, 2027	20 Years	April 30, 2047*
LT1 RFP	<May 1, 2027	<p>20 Years + additional term for commercial operation any time prior to May 1, 2027</p> <p>For example, Commercial Operation achieved on May 1, 2026 would provide a 21 year term</p>	April 30, 2047*
Expedited Process	May 1, 2025	<p>22 Years</p> <p>Resources able to achieve commercial operation by May 1, 2025 will be eligible for a contract payment multiplier in 2025 and 2026.</p>	April 30, 2047*

Next Steps

- The IESO will be reporting to the Government of Ontario on feedback received and design considerations this month
- Feedback and policy direction will be incorporated into draft procurement documents (Expedited Process and LT1 RFP) to be issued in Summer and Autumn 2022
- New supporting materials and continued community engagement will be made available this fall. Further details will be provided during the breakout sessions
- Specific feedback will be requested following the breakout discussions to prepare for next steps

You're invited to join a discussion

Please join us for a targeted discussion to ask questions and learn more about what the LT RFP means for you, as well as what you might need to prepare for future discussions

- Discussion with Municipalities: 2:30 p.m.
Meeting Registration – [Zoom](#)
- Discussion with Indigenous Communities: 2:30 p.m.
Meeting Registration – [Zoom](#)
- **Links available in the chat**



Thank you for joining us for the Continuing Steps to Meeting Ontario's Growing Electricity Needs information session.

Thank You

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