
NOVEMBER 16, 2021

Draft Medium-Term RFP Overview

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Agenda

- Overview of the draft Medium-Term RFP and Schedule
- Draft Medium-Term RFP
- Medium-Term Capacity Contract Overview
- Next Steps

Purpose

The purpose of this meeting is to provide an overview of the recently posted draft Medium-Term (MT) RFP and a high-level overview of the MT Capacity Contract.

Stakeholder feedback will be used to inform the final MT RFP and MT Capacity Contract.

Draft MT RFP Documents

- A draft of the MT RFP was posted to the Medium-Term RFP [webpage](#) on November 2, 2021
- The IESO is in the process of reviewing the draft MT Capacity Contract ahead of posting. An updated draft of the MT RFP will be posted along with the draft MT Capacity Contract.
- The next version of the RFP will include:
 - Details around Proposal Security
 - Proposed fee amounts, which will be discussed later in this presentation and on Nov. 23rd
 - Details on the proposed reserve price

Stakeholder Feedback

- The IESO is seeking feedback on the [draft MT RFP](#), including any questions or comments that stakeholders may have.
- The IESO is also seeking feedback on the draft MT Capacity Contract, which will be posted to the Medium-Term RFP webpage for review prior to the November 25, 2021 webinar. An overview of the MT Capacity Contract is provided in section 2.2 of the draft MT RFP.
- A walkthrough webinar for the draft MT Capacity Contract and updated draft MT RFP will be held on November 25, 2021.

Feedback Requested

Specific areas that the IESO is seeking feedback from stakeholders on include, but are not limited to:

1. Are there any areas of the draft Medium-Term RFP that require further clarity?
2. Feedback on timelines and milestones proposed.
3. Feedback on the Registration and Qualified Capacity confirmation process.
4. Feedback on the Proposal Submission process and requirements.
5. Are there any questions or comments regarding the Rated Criteria details and Evaluated Proposal Price calculation?
6. Applicability of the fees proposed for the MT RFP.

MT RFP Feedback Process

- Stakeholders are invited to submit questions and feedback regarding the MT RFP documents to MT.RFP@ieso.ca
- The IESO may respond to feedback through any of the following means:
 - By modifying the draft RFP, where applicable;
 - Via email where clarity is required; or
 - Through subsequent engagement sessions



Medium-Term RFP Schedule and Draft RFP Overview

Draft Medium-Term RFP Schedule

Milestone	Date
Posting of Draft Medium-Term RFP	November 2, 2021
Draft Medium-Term RFP Walkthrough Webinar	November 16, 2021
Draft Medium-Term Capacity Contract Walkthrough Webinar	November 25, 2021
Deadline for Questions and Feedback to be Submitted to the IESO	December 10, 2021
Release of Final Medium-Term RFP and Capacity Contract	January 31, 2022
Question and Comment Period – Final Documents	February 1-14, 2022
Deadline for Submission of Proponent Registration (including Capacity Qualification)	February 21, 2022
Deadline for the IESO to respond to Registration and Qualified Capacity Confirmation	March 7-14, 2022
Deadline to Confirm Target Capacity (Issuing Addenda #1)	March 18, 2022
Proposal Submission Deadline	April 28, 2022

Medium-Term RFP Product Overview

- As outlined in the IESO's 2021 Annual Acquisition Report, the IESO is seeking to competitively procure up to 750 MW of Qualified Capacity (QC), in unforced capacity (UCAP), from existing resources via this Medium-Term RFP (MT RFP)
- The term for the MT RFP is 3-year commitment period commencing on May 1, 2026 and ending on April 30, 2029, with an optional 2-year extension ending on April 30, 2031
- Resources will be paid their submitted Proposal Price as a Monthly Capacity Payment, based on a \$/MW-Business Day multiplied by the number of business days in a month
 - Resources will retain any other revenues they can earn, such as energy, ancillary services revenues and/or the monetization of environmental attributes

MT RFP Registration Process Overview

- The IESO will open a registration period for prospective Proponents to express interest in participating in the MT RFP in early 2022
- Prospective Proponents will submit a nominal fee in order to become Registered Proponents and the IESO will provide them with their Qualified Capacity (in UCAP) so that they can effectively structure their Proposals in advance of proposal submission
- The Registration stage also provides the IESO with an early indication of the level of competition it can expect ahead of finalization of the RFP
- Based on the volume of registration, the IESO may adjust the Target Capacity accordingly in order to ensure competition

MT RFP Evaluation Overview

- Proposals will first be evaluated to ensure the proposal is complete and contains all required information per Proposal submission requirements in the RFP
- The IESO has designed mandatory criteria that ensure proponents have ownership/control of the resource, while also ensuring relevant registration requirements/agreements are in place
- The IESO will use Rated Criteria that will reward resource attributes that provide system value, rather than making those criteria mandatory
- Proposals will be ranked based on their Evaluated Proposal Price, which will be calculated based on Rated Criteria points awarded

MT RFP Capacity Qualification

- The MT RFP is procuring Qualified Capacity in UCAP on a seasonal basis (summer and winter) that will be fixed over the Commitment Period
- Only summer UCAP values for each resource will be accredited towards the procurement target of up to 750 MW for the MT RFP
 - This is reflective of the IESO's summer peaking capacity needs in the 2026-2031 timeframe
- All resources that register for the MT RFP will be provided with seasonal UCAP values (summer and winter) through the aforementioned Capacity Qualification process during the Registration phase

Bridging Considerations

- Stakeholders have submitted a number of comments on the bridging considerations the IESO has presented thus far (i.e., using the Capacity Auction as the bridging mechanism and potentially terminating existing contracts early to meet Capacity Auction obligation periods)
- The IESO is currently reviewing the feedback received thus far and will seek to further engage on the topic in the coming weeks

Communication Protocols

- Specific communications rules will apply once the procurement is launched (Final RFP Posted) to ensure fair and open consideration
 - Breaches of communications rules could result in a proponent being disqualified
 - While the protocols are not yet officially in place, it is good to utilize best practices in advance of the final MT RFP being posted
 - See Section 3.5 in the RFP for more detailed information
- For proponents, there will be a single point of contact through the dedicated RFP email address (MT.RFP@IESO.ca) managed by the procurement team



Draft Medium-Term RFP

Registration Process

1. As the first step of participating in this Medium-Term RFP, interested Proponents must submit the following to the IESO:
 - a) **Registration Form** - The Registration Form will require the Proponent to:
 - (i) specify its Nameplate Capacity and its Reference Seasonal ICAP (for both Summer and Winter);
 - (ii) identify the Qualified Facility's prior contract with the IESO, the Ontario Power Authority or the Ontario Electricity Financial Corporation (as applicable);
 - (iii) identify the facility registration with the IESO of the Qualified Facility (if applicable); and
 - (iv) represent that the Proponent qualifies as a Qualified Applicant and the Electricity generation or storage resource constitutes a Qualified Facility.

Registration Process (2)

- b) **Registration Fee** - The IESO proposes a **Registration Fee of \$500**, to be paid by proponents during the registration phase in return for the IESO providing their qualified capacity (in UCAP). The Registration Fee shall be non-refundable in all circumstances, including if the Proponent does not meet the requirements of a Qualified Applicant or if it declines to submit a Proposal.
2. The IESO will respond to the Proponent confirming their Monthly Qualified Capacity within the date set out in the MT RFP schedule
 3. Based on the amount of Qualified Capacity confirmed through the MT RFP registration, the IESO may adjust the Target Capacity accordingly in order to ensure competition
 - Any changes to the Target Capacity would be made in accordance with the deadline to issue Addenda set out in the RFP schedule

Capacity Qualification Process

As part of the Registration process, the IESO will confirm seasonal (summer and winter) UCAP values through a Capacity Qualification process based on the general methodology of the formula below. The IESO will be issuing a Qualified Capacity Guidance Document to provide additional detail on this process.

$$\text{UCAP (MW)} = \text{ICAP (MW)} \times \text{Availability De-Rating Factor}$$

Where:

- UCAP (Unforced capacity) is the amount, in MW, that a resource is qualified to offer into the MT RFP
- ICAP (Installed capacity) is the capability, in MW, as specified by the proponent, reflecting the seasonal generation a resource is able to provide considering various factors such as ambient weather conditions
- Availability De-Rating Factor is based on a resource's historical data or on a zonal fleet wide basis as further described in the Qualified Capacity Guidance Document

Capacity Qualification Process – ICAP Values

It is the responsibility of the Proponent to determine and provide the most appropriate value based on the following guidance:

- Seasonal ICAP values could be equal to the maximum expected offered/bid capability of a resource given optimal operating conditions
- Seasonal ICAP values are expected to be consistent with other data submitted to the IESO through [Form 1230](#) or [Market Registration](#)
- During a Pre-Term Capacity Verification or subsequent potential capacity check tests a Qualified Facility will be required to demonstrate output in accordance with its applicable Reference Seasonal ICAP

Capacity Qualification Process – Availability De-Rating Factor

- The de-rating factor in the UCAP calculation is based on historical availability and/or production data of the resource
- Given the unique operating and participation methods of each resource type, 5 years of historical data will be used to calculate the availability de-rating factor and based on one of the following criteria:
 - Equivalent Forced Outage Rate on Demand (EFOR_d), or
 - Production data from top 200 hours of Ontario demand (per season)

Proposal Evaluation Overview

Stage 1 - Completeness Requirements

- Pass/Fail

Stage 2 – Mandatory Criteria

- Pass/Fail

Stage 3 – Rated Criteria

- Point score awarded

Stage 4 – Ranking of Proposals by Evaluated Proposal Price

- Calculation of Evaluated Proposal Price & Proposal Ranking

Proposal Submission Requirements

- To be considered, a Proponent must submit all of the relevant materials in the MT RFP
- Any Proposal submission which is not received by the IESO per the requirements set out in the RFP will be rejected and the Proposal will no longer be considered in this Medium-Term RFP process
- Proposal submissions will include electronic submission requirements and hard copy submission requirements

Electronic Submission Requirements

- Proponents must submit all of the following Proposal submission documents, electronically to MT.RFP@ieso.ca in the format prescribed in the RFP, prior to the Proposal Submission Deadline:
 - Prescribed Form: Proposal Completeness Checklist
 - Prescribed Form: Proponent Information and Declarations
 - Prescribed Form: Confirmation of Qualified Facility
 - Electronic Copy of the Proposal Security
 - Proposal Price
- Proponents must submit a **Proposal Fee** via an electronic funds transfer (EFT) payable to the Independent Electricity System Operator

Hard Copy Submission Requirements

- Proponents must provide an **original hard copy of the Proposal Security** to the IESO's mailing address outlined in the RFP prior to the Proposal Submission Deadline

Proposal Submission Fee & Security

Proposal Submission Fee:

- The IESO proposes a **Minimum Proposal Submission Fee** of **\$3,000**, with a variable fee (\$/MW) of **\$100/MW** for existing MWs, **up to a Maximum of \$10,000** (including Registration Fee)
 - Or, \$300/MW for new MWs (applies to updated portion of existing facilities)

Proposal Security:

- Details on the proposal security will be included in the next draft of the Medium-Term RFP and Medium-Term Capacity Contract

Stage 1: Completeness Requirements

In Stage 1, each Proposal will pass or fail depending on whether the Proposal is complete and contains all required documents, forms and declarations

Electronic Submission Requirements	Hard Copy Submission Requirements
<ul style="list-style-type: none">○ All required Prescribed Forms○ A scanned electronic copy of the Proposal Security○ Proposal Price○ Proposal Fee via EFT	<ul style="list-style-type: none">○ An original hard copy of the Proposal Security

Stage 2: Mandatory Criteria

In Stage 2, each Proposal will pass or fail depending on whether the supporting documentation provided in the Proposal confirms that:

- a) the Proponent is a Qualified Applicant;
- b) the subject facility constitutes a Qualified Facility;
- c) the Qualified Facility's Nameplate Capacity provided during the Registration process is substantially accurate.

Stage 2: Mandatory Criteria (2)

The following Mandatory Criteria must be satisfied by all proponents in order to be eligible to participate as Qualified Applicants in the MT RFP:

- Have the ability to deliver capacity services in accordance with the terms of the Medium-Term Capacity Contract
- Directly connected to a Transmission or Distribution system and have all necessary permits and authorizations
- A Qualified Facility:
 - is currently, or has previously been, the subject of a contract with the IESO, the OPA or the OEFC and whose contract has expired or been terminated (or will expire or be terminated) on or before April 30, 2026; or
 - is otherwise registered with IESO as a registered facility under the Market Rules

Stage 2: Mandatory Criteria (3)

- A Qualified Facility may include a connected facility, embedded generation facility, embedded electricity storage facility, or an embedded non-market participant facility
- The Qualified Capacity that is the subject of this Medium-Term RFP may not be physically or contractually committed to any third party during the term of the Medium-Term Capacity Contract

Stage 3: Rated Criteria

- All Proposals that have passed Stage 1 and Stage 2 will have their Rated Criteria evaluated by the IESO, and will be assigned Rated Criteria Points
- There shall be a maximum of **11** possible Rated Criteria Points awarded to any Qualified Facility (QF)
- These Rated Criteria Points will equate to a price reduction multiplier to be used for comparison/selection purposes only (no impact on price paid to successful candidates)

Stage 3: Rated Criteria – Location

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

Rated Criteria Points	Value	Priority Zones
5	High	Toronto, Essa, East, Ottawa and West Transmission Zones
3	Medium	All zones other than specified low and high value zones
0	Low	Northeast and Northwest Transmission Zones

Stage 3: Rated Criteria - Dispatchability

Qualified Facilities shall be awarded applicable Rated Criteria Points for the dispatchability of the Qualified Facility

Rated Criteria Points available	Dispatchability of Qualified Facility
3	The Qualified Facility is a Must-Offer QF that is also a <i>quick start facility</i> under the Market Rules
2	The Qualified Facility is a Must-Offer QF that is not a <i>quick start facility</i> under the Market Rules
1	The Qualified Facility is a <i>registered facility</i> but is not a Must-Offer QF (e.g. it is a <i>variable generator</i> , <i>intermittent generator</i> or a <i>self-scheduling generator</i>)
0	All other Qualified Facilities

Stage 3: Rated Criteria – Operating Reserve

Qualified Facilities shall be awarded applicable Rated Criteria Points for their ability to provide Operating Reserve

Rated Criteria Points available	Ability to Provide Operating Reserve
1	The Qualified Facility is able to provide <i>operating reserve</i> in accordance with the <i>operating reserve market</i>
0	All other Qualified Facilities

Stage 3: Rated Criteria – Duration of Service

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

Rated Criteria Points available	Duration of Service
2	The Qualified Facility is a Must-Offer QF and is able, under normal operating conditions, to generate electricity for more than 8 consecutive hours
1	The Qualified Facility is a Must-Offer QF and is able, under normal operating conditions, to generate electricity for 4-8 consecutive hours
0	All other Qualified Facilities and <i>variable generators</i>

Stage 4: Calculation of Evaluated Proposal Price

All Proposals whose Rated Criteria has been evaluated in Stage 3, will have their Proposal Price modified using the Rated Criteria Points to calculate the Evaluated Proposal Price

The Evaluated Proposal Price will be calculated using the following formula:

$$\mathbf{EPP} = PP \times (1 - (ECW \times (S / MS)))$$

Where:

EPP is the Evaluated Proposal Price (in \$ per MW per day)

PP is the Proposal Price

ECW is the evaluation criteria weighting, which is set at 0.2

S is equal to the total criteria points awarded to the Qualified Facility under Stage 3

MS is the maximum possible criteria points available under Stage 3, which shall be 11 points

Stage 4: Ranking of Proposals by Evaluated Proposal Price

- All of the Proposals that have passed Stage 3 will be ranked in order of their Evaluated Proposal Price, with the lowest Evaluated Proposal Price receiving the highest priority
- Any Proposals for which the Proposal Price exceeds the Reserve Price will be rejected, regardless of the impact of Rated Criteria to establish the Evaluated Proposal Price
- An Offer List will be established based on the proposal rankings
 - Proposals will be added to the list until the addition of the next Proposal causes the aggregate Summer season Qualified Capacity of the proposals on the Offer List to exceed the Target Capacity. At that point, all remaining Proposals will be rejected

Rated Criteria & EPP Illustrative Example

The following hypothetical example is meant to illustrate the impact of Rated Criteria Scores on two resources with identical proposal prices

- 300 \$/MW-day value chosen arbitrarily

	Qualified Facility 1	Qualified Facility 2
Proposal Price	300 \$/MW-day	300 \$/MW-day
Rated Criteria Score	5/11	7/11
Evaluated Proposal Price (EPP)	273 \$/MW-day	262 \$/MW-day
EPP Ranking	2nd	1st



Medium-Term Capacity Contract Overview

Medium-Term Capacity Contract

- The Medium-Term Capacity Contract will be a capacity-style contract, paying Proponents a fixed monthly payment based on the daily Fixed Capacity Payment (FCP), in units of \$/MW-Business Day, multiplied by the number of business days in the month and multiplied by their Monthly Qualified Capacity
- The commitment period of the Medium-Term Capacity Contract will be 3 years commencing on May 1, 2026 and ending on April 30, 2029
 - Suppliers will have the option to extend their contract for an additional 2 years, with a contract end date of April 30, 2031. Those who want to opt for the 2-year extension must notify the IESO in writing of their decision to extend at least 6 months prior to April 30, 2029.

Medium-Term Capacity Contract (2)

- The Medium-Term Capacity Contract will have two categories of Qualified Facilities, each with a corresponding performance requirement:
 - **Must-Offer Qualified Facility (Must-Offer QF):** A *registered facility* under the Market Rules that is not *variable generation*, or a *self-scheduling generation facility* and is thus required to meet the Must-Offer Obligation
 - **Facility Capacity Factor Qualified Facility (FCF QF):** A facility that is not a Must-Offer QF and is subject to a Facility Capacity Factor Obligation

Performance Requirements – Must-Offer QF

- For a Must-Offer QF, the Medium-Term Capacity Contract will require that the Supplier offer sufficient capacity that is not subject to an outage into the IESO-administered markets, on Business Days for all hours from **07:00 to 23:00** (the Qualifying Hours)
- The average quantity of all of Must-Offer QF's offers during the qualifying hours in a settlement month must be at least equal to **95%** of its Adjusted Monthly Qualified Capacity
 - Adjusted Monthly Qualified Capacity is equal to the Monthly Qualified Capacity, adjusted proportionally for any Qualifying Hours in the Settlement Month that are the subject of a Planned Outage or Force Majeure Outage

Performance Requirements – FCF QF

- For a FCF QF, it will be subject to a minimum physical operating requirement evaluated each Settlement Month to achieve a Facility Capacity Factor Obligation that is at least equal to **95%** of the capacity factor reflected in the ratio of the Adjusted Monthly Qualified Capacity to the Reference Seasonal ICAP for the Facility
- The IESO shall be provided with direct access to revenue-quality meter data for a FCF QF, in accordance with the metering plan prescribed in the Medium-Term Capacity Contract

Non-Performance

- If a Qualified Facility fails to meet its performance requirements, an Availability Non-Performance Charge will be assessed and charged to the Supplier for the applicable Settlement Month
- This charge will be equal to the Monthly Capacity Payment multiplied by the applicable percentage shortfall below the Minimum Offer Quantity or Minimum FCF

Non-Performance (2)

Monthly non-performance factors are set out in the table below:

Month	Factor	Month	Factor
January	2.0	July	2.0
February	2.0	August	2.0
March	1.5	September	2.0
April	1.0	October	1.0
May	1.0	November	1.0
June	1.5	December	1.5

Supplier Event of Default for Extended Non-Performance

- The following circumstances of extended non-performance will constitute a Supplier Event of Default that will entitle the IESO to terminate the Medium-Term Capacity Contract (among other remedies):
 - if, for a Must-Offer QF, over any rolling 3-month period during any season, the quantity of capacity offers is below **90%** of the Minimum Offer Quantity; and
 - if, for an FCF QF, over any rolling 3-month period during any season, the Facility Capacity Factor is below **90%** of the Minimum Facility Capacity Factor.
- The rolling 3-month period for purposes of this requirement will restart at the commencement of each 6-month season during the Commitment Period.

Force Majeure

- Any Force Majeure that is claimed by the Supplier and accepted by the IESO during the Commitment Period shall reduce the performance obligations, as applicable, for the proportion of the Qualifying Hours and the portion of the Nameplate Capacity for the Qualified Facility that is impacted by such confirmed Force Majeure event
- Any such Force Majeure shall also reduce the capacity payment being made to the Supplier by way of the same Force Majeure Capacity Reduction Factor applied to the FCP for the applicable Settlement Month
- Force Majeure will not apply to the obligation to extend or relieve requirement for Pre-Term Capacity Verification

Capacity Verification

- Prior to the commencement of the Commitment Period, all Qualified Facilities under the MT RFP will be required to complete a Pre-Term Capacity Verification
- Qualified Facilities must submit meter data to the IESO that verifies the ability of the Qualified Facility to operate during the Qualifying Hours at a level applicable to its Reference Seasonal ICAP for the calendar month in which the operational data is submitted

Capacity Verification (2)

- If the Pre-Term Capacity Verification is not complete prior to the commencement of the Commitment Period, payments to the Supplier will not begin until the Pre-Term Capacity Verification has been completed
- A Supplier Event of Default will arise if the Pre-Term Capacity Verification is not completed within 3 months after the commencement of the Commitment Period
- Note: Additional testing requirements will be included in the Medium-Term Capacity Contract



Next Steps

Next Steps

- Stakeholders are invited to submit questions and feedback regarding the MT RFP documents to MT.RFP@ieso.ca
- An engagement session to walk through the draft Medium-Term Capacity Contract is scheduled to be held on **November 25, 2021**
 - The IESO will be posting the draft Medium-Term Capacity Contract and updated draft Medium-Term RFP to the Medium-Term RFP webpage for review prior to the November 25, 2021 webinar.
 - The IESO will also be posting a guidance document that describes the Capacity Qualification process, methodologies and timelines in more detail
- The IESO will be receiving any questions or feedback on the draft RFP and draft contract until **December 10, 2021**

Next Steps (2)

- The IESO will be engaging on the following as part of the broader Resource Adequacy engagement:
 - Procurement Fee Framework
 - Long-Term RFP
 - Bridging and the cadence of acquisition mechanisms

Thank You

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