



Independent Electricity System Operator (IESO)

Medium-Term I (MT I) Request for Proposals

Fairness Advisor Final Report

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1. Introduction

The Independent Electricity System Operator (IESO) engaged RFP Solutions Inc. as a Fairness Advisor on July 26, 2021 to observe a competitive procurement process to acquire capacity services to meet the needs of the electricity system from existing Electricity generation or storage resources.

RFP Solutions Inc. hereby submits this Final Report for this Medium-Term I (MT I) Request for Proposals (RFP). RFP Solutions Inc.'s report incorporates activities commencing with a review of background material and oversight of industry engagement and the drafting of the RFP by the IESO, before its posting on the IESO MT I website, continuing through the solicitation period and RFP closing, receipt of Proposals and oversight of the IESO's evaluation process leading to the identification of the highest-ranked Proponents and execution of the resulting Contracts.

The report includes a summary of the scope and objectives of our assignment, the methodologies applied and relevant observations from the activities undertaken during each of the observed stages of the process, and our opinion of assurance.

RFP Solutions Inc. is an independent third party with respect to this process.

2. RFP Requirements

After more than a decade of strong supply, Ontario is entering a period of emerging electricity system needs, driven by increasing demand, the retirement of the Pickering nuclear plant, the refurbishment of other nuclear generating units, as well as expiring contracts for existing facilities. Recognizing the necessity to address these needs in a timely, cost-effective and flexible manner, the IESO has engaged with stakeholders in the development of a Resource Adequacy Framework, with the view to establish a robust competitive process that focuses on cost-effective reliability while more effectively balancing ratepayer and supplier risk in this changing environment.

The MT I RFP was intended to acquire capacity services to meet system needs from existing Electricity generation or storage resources. As the first process in a cadence of competitive and transparent medium-term and long-term acquisition mechanisms, the MT I RFP represents the IESO's transition to a reliability product/service based acquisition framework.

The initial MT I RFP was intended to competitively procure up to 750 MW of year-round capacity services (the "Target Capacity"), on a Summer unforced capacity (UCAP) basis. In accordance with the RFP, this target was adjusted to 475 MW (on a Summer UCAP basis) following the completion of Proponent Registration and Qualified Capacity confirmation.

3. Methodology

The Role of the Fairness Advisor

In all respects, the Fairness Advisor serves as a neutral and objective third-party during the procurement process, with no interest, financial or otherwise, in the outcome of the process, other than ensuring that an open, fair and transparent process was followed.

The following Principles of Fairness were used in the conduct of this mandate and in arriving at our Opinion on the fairness of this RFP process:

1. **Transparency** – the process is open and accessible to all participants;
2. **Integrity** – the process is undertaken in accordance with what is ethically right and proper;
3. **Equality** – all participants are subject to the same rules and opportunities;
4. **Neutrality** – all participants are treated with an absence of bias or favouritism;
5. **Consistency and Compliance** – all participants are assessed in accordance with the solicitation and applicable legislation, policy and regulations; and
6. **Objectivity** – all observations and assessments are evidence-based.

In accordance with the terms of our engagement, we familiarized ourselves with the relevant documents and observed solicitation activities (e.g. review and oversight of industry stakeholder engagement, review of draft and final RFP issued for this requirement, oversight of the registration process and evaluation of Proposals, leading to the identification of the highest ranking Proponents and Contract offering by the IESO), identifying any fairness-related matters to the Project Lead and ensuring that responses and actions of the IESO were reasonable and appropriate. Section 4 of this report summarizes the specific activities and observations of the Fairness Advisor in respect of those activities.

4. Fairness Advisor's Activities and Observations

4.1 RFP Planning / Pre-Issuance

As part of IESO's broader industry stakeholder engagement on the Resource Adequacy Framework, the IESO prepared for and conducted a kick-off engagement webinar and follow-on engagement webinar for the MT I RFP with interested industry participants. Engagement was held on August 26, September 23, November 16 and 25, and December 7, 2021 respectively. These broader engagement sessions were conducted virtually, with each consisting of a presentation by the IESO and a Q&A throughout the session, followed by a request for stakeholder feedback. Feedback was submitted by participating stakeholders in writing. The recorded engagement presentations, stakeholder provided feedback and the IESO's written responses to stakeholder feedback were published publicly via the IESO's Resource Adequacy Engagement website.

In parallel with the Resource Adequacy Framework stakeholder engagement activities, IESO personnel prepared the draft RFP components, including draft Contract. During the planning and drafting of the draft RFP, the Fairness Advisor was engaged to provide advice on the wording of the draft RFP with respect to fairness.

The draft RFP was initially issued on November 2, 2021, via the IESO's MT I RFP website. During the posting period of the draft RFP, the IESO prepared for and conducted a webinar with interested participants to provide a walk-through of the details of the draft RFP. A copy of the recorded presentation was also published via the MT I RFP website following the session. The draft RFP was re-posted along with a copy of the draft MT I Contract on November 24, 2021. The IESO prepared for and conducted a second webinar on November 25, 2021 to provide a walk-through of the details of the draft Contract, and a third webinar on December 7, 2021 to address questions on the draft RFP and draft Contract. All recorded presentations were published to the MT I RFP website following the sessions.

Following the deadline for questions and comments, the IESO prepared a FAQ document providing written responses to consolidated questions received from stakeholders and prepared the draft Prescribed Forms proposed to be used in preparation of Proponent responses. Both the FAQ and the Prescribed Forms were published via the MT I RFP website on January 7, 2022.

In consideration of stakeholder questions and feedback, IESO personnel prepared the final RFP components, including final Contract, together with updates to the Prescribed Forms and FAQ document. During the revisions to the final RFP and Contract, the Fairness Advisor was engaged to provide advice on the wording of the documents with respect to fairness.

Activities and Observations

The Fairness Advisor reviewed background material to familiarize itself with the context of the IESO's requirements and made inquiries of the IESO personnel on the file.

The Fairness Advisor reviewed the IESO's plans for stakeholder engagement and reviewed draft presentation materials prior to the engagement sessions. The Fairness Advisor attended the MT I RFP Kick-off and reviewed the recorded presentations and stakeholder feedback published following the engagement sessions.

The Fairness Advisor reviewed the initial draft RFP and Contract documents to provide oversight and address fairness questions during the development of the draft documents including the Proposal submission instructions, evaluation criteria, basis of selection, the Contract Form of Agreement and attachments. The Fairness Advisor reviewed the final draft package prior to its publication by the IESO to potential Proponents.

The Fairness Advisor reviewed the FAQ document and draft Prescribed Forms prepared by the IESO prior to their publication.

The Fairness Advisor reviewed the revisions to the RFP and Contract package, including revised Prescribed Forms and updated FAQ document prior to their official publication for Proponent response.

The IESO was very forthcoming with information during the RFP Planning and Pre-Issuance stage and fairness comments raised by the Fairness Advisor were addressed by the IESO.

4.2 RFP Posting Activities

The final RFP documentation was posted to the MT I RFP website on January 31, 2022. As set out in the RFP, interested Proponents were first required to Register with the IESO by February 21, 2022, in order for the IESO to determine their status as a Qualified Applicant offering one or more Qualified Facilities, for eligibility to participate further in the RFP process. With their Registration, potential Proponents were required to submit a non-refundable Registration Fee of \$500.00 and ICAP data for their Facility in order for the IESO to confirm the respective UCAP for Summer and Winter for each potential Proponent. The Registration deadline was amended to February 22, 2022 in response to written request from potential Proponents.

As of the Registration deadline, IESO received Registrations for 13 facilities, together with the associated Registration Fees and ICAP data.

Registration Fees were reviewed by the IESO Procurement Team and IESO Treasury. During the Registration period, IESO received three (3) deposits of potential Registration Fees from potential Proponents that were not in full alignment to the requirements set out in the RFP with respect to amount and identifier. IESO issued communications to each such potential Proponent to reiterate the stated RFP requirements for Registration Fees to be considered prior to the deadline.

ICAP data was reviewed by the IESO's Planning Group. Where warranted in the course of this review, the IESO, in collaboration with its legal advisor, prepared clarification questions which were issued to three (3) potential Proponents, with responses received prior to the required response date. As a result of this review, one (1) potential Proponent was identified as not providing a Qualified Facility as set out in the RFP. As a result, this registration was set-aside with no further consideration given thereto. The IESO prepared a notification for this organization. IESO's Planning Group also prepared the respective UCAP data for Summer and Winter for each potential Proponent. Notification and UCAP data were issued to potential Proponents on March 11, 2022, with potential Proponents having until March 16, 2022 to identify any error in the data to the IESO.

IESO received requests from six (6) potential Proponents to review the provided UCAP data. These requests were reviewed by the Planning Group, and responses provided by the IESO Procurement Team to the respective Proponents. As a result of this review, nine (9) potential Proponents' UCAP values were re-affirmed by the IESO as originally stated and three (3) potential Proponents' UCAP values were revised and affirmed by the IESO.

Final UCAP values were confirmed to all potential Proponents on March 25, 2022, together with confirmation of their status as a Qualified Applicant. As a result of this process 12 Qualified Applicants were confirmed.

Throughout the Registration and RFP solicitation period, IESO received questions from potential Proponents and prepared written responses that were issued to Proponents on an iterative basis through updates to the FAQ document via the MT I RFP website. On rare occasion, questions related to the MT I RFP were received by an IESO representative other than the MT I RFP contact address. IESO responded to such inquiries to re-direct the questioner to the official contact point.

During the RFP solicitation period, three (3) addenda were published, to extend the RFP Registration deadline, to make changes to the RFP and Contract terms and to revise the MW Target Capacity based on the IESO confirmed UCAP data.

Activities and Observations

The Fairness Advisor reviewed the published RFP, Contract and its attachments, as published on the MT I RFP website.

The Fairness Advisor reviewed all questions and answers and addenda prior to their issuance. The IESO consulted with the Fairness Advisor on the questions received, draft responses, document amendments and industry communications prepared by the IESO.

The IESO consulted with the Fairness Advisor on the receipt of incomplete Registration Fees prior to the Registration deadline and the IESO's communications with potential Proponents on the same.

The Fairness Advisor made inquiries on the conduct of the Registration process, reviewed the IESO's correspondence to potential Proponents confirming UCAP values, and reviewed and made inquiries of the IESO on correspondence received from potential Proponents and the IESO's determinations thereon.

Overall, no fairness concerns were identified during the posting period.

4.3 RFP Closing Activities

As part of Proponents' responses to the RFP, Proponents were required to provide a Proposal Fee submittal in the manner set out in the RFP and provide confirmation to the IESO MT I RFP Contact and Treasury. Prior to the Proposal submission deadline, the IESO received a payment from a potential Proponent that was not immediately confirmed by the Proponent to the IESO Contact and Treasury. The IESO issued notification to the potential Proponent to remind them of the request clarification that the payment was intended to be attributed to the potential Proponent's participation in the RFP and to reiterate the communications process required in the RFP. The IESO also received a number of test payments from potential Proponents, the receipt of which were confirmed by the IESO.

Prior to the Proposal submission deadline, the IESO also received a number of clarification requests from potential Proponents on the submission of the requisite Letter of Credit and confirmation of the appropriate connection point to be used in the submission based on Online-IESO registration data, and other administrative questions related to the submission process which were responded to by the IESO in accordance with the RFP requirements.

As of the Proposal submission deadline on April 28, 2022, seven (7) Proposals were received.

Activities and Observations

The Fairness Advisor made inquiries on the closing of the RFP. The Proposals received were handled in accordance with the deadline and requirements stated in the RFP and there were no fairness issues noted.

4.4 Evaluation Activities

As set out in the RFP document, the evaluation was conducted in four (4) stages:

- Stage 1 – Completeness Requirements;
- Stage 2 – Mandatory Criteria;
- Stage 3 – Rated Criteria; and
- Stage 4 – Proposal Price Ranking.

Prior to commencing the evaluation process, the IESO affirmed the obligations on process participants to abide by the IESO Code of Conduct, including requirements to maintain the confidentiality of process and Proponent information and to maintain a conflict-of-interest-free status relative to all Proponents.

The IESO Procurement Team affirmed the evaluation team structure and composition for each stage of the process, and prepared detailed process flows, checklists and record worksheets for use at each stage of the evaluation.

Activities and Observations

The Fairness Advisor was consulted on procedures to maintain confidentiality and conflict-of-interest-free status of process participants and reviewed the COI declaration form prepared by the IESO.

The Fairness Advisor reviewed the evaluation team structure and composition and reviewed all evaluation materials (process flows, checklists, record worksheets, and instructions) to be used in the evaluation process for alignment to the RFP.

No fairness concerns were observed with respect to evaluation preparations.

Stage 1 – Completeness Requirements

As set out in the RFP, Proposals were required to provide:

- Completed Prescribed Forms: Proposal Completeness Checklist;
- Completed Prescribed Form: Proponent Information and Declarations;
- Proposal Fee;
- Proposal Security; and
- Prescribed Form: Proposal Price and Commitment Period Start Date.

Review of completeness requirements was undertaken by three (3) sub-teams: the IESO's Treasury, who reviewed the provided Proposal Fees, the IESO's legal advisor, who reviewed the provided Proposal Security to provide subject matter expertise to the reviewers, and two (2) members of the Evaluation Team who reviewed all aspects. Results from each sub-team were reviewed at a supervisory and managerial level, in addition to being reviewed by the Fairness Advisor.

During Stage 1, reviewers determined a need to seek three (3) clarifications from one (1) Proponent and one (1) clarification from one (1) other Proponent on administrative matters. Responses were received from Proponents prior to the required response time and duly considered by the IESO.

As a result of the Completeness Requirements review, all seven (7) Proposals were determined to be complete and eligible to move forward to Stage 2. IESO sign-off of Stage 1 results was completed May 25, 2022.

Activities and Observations

The Fairness Advisor was available to answer questions of the reviewers during the review period.

The Fairness Advisor was consulted on the process to seek clarifications, reviewed the clarification questions prior to their issuance and reviewed responses and IESO's disposition.

The Fairness Advisor reviewed the outcomes of the Stage 1 Completeness Requirements review, making inquiries of the IESO. No fairness concerns were observed.

Stage 2 – Mandatory Criteria

In accordance with section 4.2 of the RFP, Proposals would pass or fail depending on whether the supporting documentation provided in the Proposal confirmed that:

- the Proponent is a Qualified Applicant;
- the subject resource constitutes a Qualified Facility; and
- the Qualified Facility's Nameplate Capacity provided during the registration process is substantially accurate.

Evaluation of Mandatory Criteria was conducted by two (2) members of the Evaluation Team, completing individual reviews prior to arriving at consensus determinations, and reviewed at a supervisory and managerial level, in addition to being reviewed by the Fairness Advisor.

During the Stage 2 Mandatory Criteria review, the need to clarify one (1) Proponent's Prescribed Form was identified, the response to which was received prior to the response time and duly considered by the IESO.

As a result of the Mandatory Criteria review, one (1) Proposal was determined not to have met the Mandatory Criteria and was set-aside with no further consideration given thereto, in accordance with the RFP.

Six (6) Proposals were determined to meet all Mandatory Criteria and were eligible to move forward to Stage 3. IESO sign-off of Stage 2 results was completed June 15, 2022.

Activities and Observations

The Fairness Advisor was available to answer questions of the reviewers during the individual review stage and during the IESO's supervisory and managerial reviews.

The Fairness Advisor was consulted on the process to seek clarification, reviewed the clarification question prior to its issuance and reviewed response and IESO's disposition.

The Fairness Advisor reviewed the outcomes of the Stage 2 Mandatory Criteria review, making inquiries of the IESO. No fairness concerns were observed.

Stage 3 – Rated Criteria

All Proposals that passed Stage 1 and Stage 2 were eligible to be further evaluated on the basis of the Rated Criteria set out in the RFP. Proposal content was rated out of a maximum of 11 Rated Criteria Points, based on the following Criteria (as set out in section 4.3 of the RFP):

- Location – 5 points;
- Dispatchability – 3 points;
- Operating Reserve – 1 point; and
- Duration – 2 points.

To assist evaluators in review of the Proposal materials, the Evaluation Team prepared a reference sheet for each Proposal, compiling data from the Proponents' Proposals and Online-IESO data previously submitted by Proponents as part of their active market registration status with the IESO to provide verification.

Evaluation of Rated Criteria was conducted by two (2) IESO personnel, completing individual reviews prior to arriving at consensus determinations, and reviewed at a supervisory and managerial level, in addition to being reviewed by the Fairness Advisor.

All six (6) Proposals were determined to be eligible to move forward to Stage 4. IESO sign-off of Stage 3 results was completed June 29, 2022.

Activities and Observations

The Fairness Advisor was consulted by the IESO on the use and preparation of the reference sheet and reviewed the compiled data. The Fairness Advisor also affirmed with the IESO that evaluators had access to and instruction to review the full Proposals to complete their evaluations and validations.

The Fairness Advisor was available to answer questions of the evaluators during the individual review stage and during the IESO's supervisory and managerial reviews.

The Fairness Advisor reviewed the outcomes of the Stage 3 Rated Criteria review, making inquiries of the IESO.

No fairness concerns were identified.

Stage 4 – Proposal Price Ranking and Identification of Selected Proponents

Following the completion of the Stage 3 Rated Criteria evaluation, the opening of the Price Proposals was conducted on July 6, 2022. Price Proposal opening was witnessed by five (5) members of the IESO Procurement Team and the Fairness Advisor.

For each Proposal, the submitted Proposal Price was reviewed to confirm that it was below the Reserve Price identified in the RFP. All six (6) remaining Proposals met this requirement and were eligible to be considered further. Following this confirmation, each eligible Proposal received an Evaluated Proposal Price, calculated using the formula set out in the RFP section 4.4.

Following the calculation of the Evaluated Proposal Prices, Proposals were ranked on the basis of these Prices from lowest to highest, to identify Preliminary List eligible to be processed and added to the Offer List in the order of ranking until such point where the addition of the next Proposal would cause the Summer Qualified Capacity on the Offer List to exceed the Target Capacity.

As a result of this ranking process, based on the Qualified Capacity proposed, all six (6) remaining Proposals, as listed below, were determined to be eligible to proceed to the Offer List to be invited to enter into a MTC I Contract, subject to the satisfactory meeting of the RFP's conditions precedent:

- Atlantic Power Limited Partnership;
- Cochrane Power Corporation;
- Greater Toronto Airports Authority;
- Melancthon Wolfe Wind LP;
- Sault Ste Marie Energy Storage LP; and
- TransAlta (SC) LP.

Activities and Observations

The Fairness Advisor attended the opening of the Price Proposals and observed that the Proposal Prices submitted by each Proponent were below the Reserve Price identified in the RFP.

The Fairness Advisor witnessed the calculation of the Evaluated Proposal Prices and confirmed the calculations were conducted in accordance with the formula published in the RFP.

The Fairness Advisor witnessed and confirmed the ranking of Proponents and identification of the Offer List and Selected Proponents was conducted in accordance with the process set out in the RFP.

No fairness issues were identified.

4.5 Notifications to Proponents and Close-out

Following the conclusion of Stage 4 Evaluation process, the IESO Procurement Team, supported by IESO's legal advisors prepared notifications and Contract Offers to be issued to the six (6) Selected Proponents, as well as notification to be issued to the one (1) unsuccessful Proponent.

Notifications were issued to each respective Proponent on August 22, 2022, prior to public announcement of the process results by the IESO on the MT I RFP website on August 23, 2022.

Through the Contract Offer period, the IESO received executed Contracts and the requisite Contract Security from five (5) of the six (6) Proponents. One (1) Proponent declined to execute the Contract and withdrew from the process, in accordance with Proponent rights under the RFP.

The five (5) Contracts were fully executed by the IESO as of September 22, 2022.

Activities and Observations

The Fairness Advisor reviewed drafts of the notification to the Selected Proponents and the notification to the unsuccessful Proponent to affirm they accurately reflected the results of the RFP evaluation process. The unsuccessful Proponent was also provided the opportunity to request a debriefing on the process. As of the date of this report, no request for debriefing had been received by the IESO.

The Fairness Advisor was kept apprised by the IESO of the progress towards Contract execution and receipt of all required Contract documents and surety.

No fairness concerns were observed.

5. Opinion of Assurance

The Fairness Advisor hereby provides the following unqualified assurance statement concerning the process for the planning and conduct of the Medium-Term I (MT I) RFP, as described herein:

Based on the observations of the Fairness Advisor through the activities observed and described in this Final Report, it is our professional opinion that the process has been carried out with integrity, in a fair, open and transparent manner.

October 3, 2022

Cathryn Kallwitz
Managing Director for RFP Solutions Inc.
Fairness Advisor