

Memorandum

To: Strategic Advisory Committee

From: Barbara Ellard, Director, Resource and System Adequacy

Date: March 20, 2024

Re: IESO Business Update – Resource Adequacy

The following provides an update to members of the Strategic Advisory Committee (SAC) on the IESO’s Resource Acquisition activities that are part of the IESO’s Resource Adequacy Framework, specifically as a follow up to the November 6, 2023 SAC memo.

Summary:

The IESO commenced public engagement on the Resource Adequacy Framework (RAF) and outlined a cadenced procurement approach to meet emerging system needs. The IESO has proposed to run the Long-Term (LT) and Medium-Term (MT) procurements in a cadenced manner approximately every two years. These procurements will work alongside the RAF’s other mechanisms, such as programs and the Capacity Auction.

The first of the cadenced Long-Term procurements is the LT2 RFP, which is focused on the acquisition of energy producing, non-emitting resources to meet an energy need of approximately 5 terawatt hours (TWh) (or about 2,000 MW) by 2030.

The IESO is also forecasting a target of roughly 1,500 MW of additional new non-emitting supply for each of its LT3 and LT4 procurements. This forward guidance forms the key element of the IESO’s cadenced procurement approach that is meant to offer ongoing investment opportunities key to meeting growing system needs. In addition to Long-Term RFPs, the IESO

will run Medium-Term RFPs that will offer five-year terms with a primary goal of re-committing existing resources with expiring contracts, while providing additional investment opportunities for new-build resources, as applicable.

LT1 RFP

Proposals were received December 12, 2023 and evaluation is ongoing. The IESO expects to conclude the process late April/early May 2024.

LT2 RFP Engagement:

The IESO has been publicly engaging on key LT2 RFP design considerations and the proposed commercial model for the contract since December 2023. Feedback received has been valuable input into the IESO's Report Back to government regarding the design of the procurement.

Feedback received to date:

- **Enhanced Power Purchase Agreement (E-PPA)**
 - Most feedback received to-date has been focused on the new E-PPA revenue model that will underpin the LT2 RFP contract. The E-PPA provides an opportunity to transition energy-producing resources to a market-focused revenue model that underscores the benefits the renewed market will bring. The E-PPA will provide revenue certainty for suppliers, while also encouraging contracted resources to provide power when the province needs it most. In response to feedback, the IESO will move forward with some key enhancements in the revenue model and will continue discussions with communities and stakeholders to refine the model.
- **Targets**
 - Stakeholders are broadly supportive of the targets proposed for the LT2 RFP, enabling the participation of both DERs and long lead-time resources, and allowing existing resources seeking to repower or expand. Stakeholders have highlighted the importance of needing policy clarity on issues that impact siting (access to crown land and agricultural land restrictions) in order to meet the proposed timelines.

Community Engagement Needs:

In addition to the broader LT2 RFP stakeholder engagement webinars, the IESO held tailored webinars for Indigenous communities and municipalities, and hosted joint sessions with Ontario's ministries, including; the Ministry of Natural Resources and Forestry (MNRF), the Ministry of the Environment, Conservation, and Parks (MECP), Ministry of Municipal Affairs and Housing (MMAH) and Ontario Ministry of Agriculture and Food (OMAFRA) on various issues impacting the siting and development of non-emitting resources. The joint ministry sessions were well attended with more than 600 participants joining in total. With strong interest and active participation from Ontario's municipalities and communities during the sessions, the IESO responded to the request from participants to receive further clarifying information on timelines and processes to ensure the success of proponents in the LT2 RFP. Engagement sessions to provide more detailed information are planned in the coming weeks for both Indigenous communities and municipalities.

MT2 RFP

In parallel with the upcoming series of Long-Term procurements described above, the IESO intends to run a series of Medium-Term procurements. These procurements will continue to offer flexible five- year commitments with the MT2 RFP being the next in the series. The IESO is proposing to run the MT2 RFP concurrently with the LT2 RFP, providing existing asset owners choice in participation, particularly as it pertains to repowering or continued operation.

Capacity Auction

The 2023 Capacity Auction was held in late November and successfully secured approximately 1,850 MW of capacity for the upcoming summer 2024 obligation period and approximately 1,300 MWs for the upcoming winter 2024/25 obligation period. This set of obligations is the first time that the IESO and participants will use the enhanced performance assessment framework. The IESO has also set the targets for the next auction to 1,600 MW for the summer and 1,000 MW for the winter, reflective of the emerging system needs.

The IESO will present a proposed three-year stakeholder engagement plan to develop high-value future enhancements for the 2024 - 2026 Capacity Auctions. The list of enhancements has been developed in consultation with stakeholders throughout the fall and winter. The objective of the enhancements and this stakeholder engagement is to ensure the Capacity

Auction can adapt to evolving market conditions and continue to be a competitive, transparent and accessible marketplace for a diverse range of capacity resources.

Small Hydro Program

Following engagement with stakeholders and the Small Hydro community on the design of the Small Hydro program, the program successfully launched in December 2023. The IESO is working with applicants on their applications.