

# Feedback Form

## Long-Term 2 (LT2) RFP – April 4, 2024

### Feedback Provided by:

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Date: 4/17/2024

To promote transparency, feedback submitted will be posted on the Long-Term RFP engagement page unless otherwise requested by the sender. If you wish to provide confidential feedback, please mark "Confidential".

Following the LT2 RFP April 4, 2024, engagement webinar, the Independent Electricity System Operator (IESO) is seeking feedback from stakeholders on the items discussed during the webinar. The webinar presentation and recording can be accessed from the [engagement web page](#).

**Please submit feedback to [engagement@ieso.ca](mailto:engagement@ieso.ca) by April 23, 2024.**



## Enhanced Power Purchase Agreement (E-PPA) Revenue Model: Proposed Modifications

Topic	Feedback
Do you have any comments regarding use of monthly production factors for the calculation of deemed energy revenues?	Proposed imputed production factor from normal production factor is likely to reduce the projected revenues and may not be attractive for prospective investors. The imputed cost factor as a general principle, is applied when the factors of production have no inconsistency and supply is firm. Since, many vulnerabilities and risks are involved in the wind power generation at the input stage and linking the revenues with imputed costs/factors may exhibit a smooth trend graphically, however, on ground and as the financial models runs, probability of decline in the revenue is very high, therefore, to make the project attractive and lucrative for Government and Investor(s), proposed changes in the E-PPA may become counterproductive.
Do you have any comments regarding use of the Forecasted Weighted Average Price (FWAP)?	Although we endorse use of FWAP, however given the fact that imputed production factor is being used, which leads to the conclusion that IESO is deriving lowest costs and revenues. This philosophy with a model life of +/-20 years is likely to increase the payback period, minimal level of risk considerations and environmental aspects, is not encouraging. Therefore, consistency is highly desirable, i.e. FWAP to be matched with average/weighted average production factors to make the financial model a bit attractive.
Do you have any comments or suggestions on further mitigating perceived risks associated with VG participation in the DAM?	Despite the fact that various external risk factors may adversely affect the supplies, however, associated costs of VGs and their utilization to balance the shortfall will increase the overall cost of generation leading to price vulnerabilities. The upside opportunities quantification at this nascent stage may not be possible owing to the fact that dispatch merit order and other scheduled supplies based on optimal price, are yet to be determined. VGs option essentially entail incremental costs and it appears that recovery thereof will be in the maximization of upside opportunities. Therefore, guaranteeing IESO firm supplies and adjustment through VGs and recovery of costs through upside opportunity requires thorough review.



## LT2 RFP & Contract: Key Provisions

Topic	Feedback
<p>Do you have any comments regarding the use of minimum production factors during proposal evaluation?</p>	<p>Yes for the purposes of evaluation, Minimum Production Factor may be used, however, its determination parameters need to be clearly outlined.</p>
<p>Do you have any comments regarding the application of the non-performance charge?</p>	<p>Non-performance penalty appears justified and is a part of normal contracts, however, the variable sliding scales should have a fixed multiplier for the purposes of calculating total exposure for the investor. Another aspect that deserves special mention is that like Oil &amp; Gas sector, concept of production bonus is also included despite the fact that level of profits in Oil &amp; Gas is quite high in comparison with power generation besides more risks. IESO therefore may also consider the Performance Bonus to make the contract more lucrative. Interestingly, at first line of slide 26 it has been stated '<b>Given that LT2 RFP is a reliability-driven procurement</b>', gives an impression that sole detrimental factor will revolve around reliability-driven procurement, which per se given an impression that uninterrupted supply is highly desirable, leaving aside economies of scale and cost efficiency, therefore this aspect needs to be further elaborated by IESO.</p>
<p>Do you have any comments regarding the treatment of outages under the LT2 Contract?</p>	<p>Since, IESO is still evaluating its approach to declaration of force majeure and will provide further details in a future engagement, therefore no comments are required at this stage.</p>
<p>Do you have any comments regarding the payback of Deemed Market Revenues greater than the Monthly Revenue Requirement?</p>	<p>If reliability driven procurement is applied, then there hardly appears any room for pay back of excess deemed market revenue. The supply side whilst exceeding the energy requirements, must be employing maximum available resources including the VGs in the wake of reliable supply, however, even with best performance, refund of excess of deemed market revenue appears unjustified. It appears that the financial model is more tilted towards 'citrus paribus' principle, which in the power generation especially from alternate energy resources appears un-viable. Realistic and holistic approach is highly desirable.</p>



## MT2 RFP

Topic	Feedback
Do you have any comments regarding the IESO's considerations on the MT2 RFP, including timing, eligibility, and the interplay between repowering and the MT2 and LT2 RFPs?	No comments.
<b>Long Lead Time Resources</b> Topic	<b>Feedback</b>
Do you have any comments regarding the IESO's considerations on Long Lead Time Resources, including timing, eligibility, targets, and term?	No comments.

## General Comments/Feedback