

Feedback Form

Long-Term 2 (LT2) RFP – April 4, 2024

Feedback Provided by:

Name: Jennifer Tuck

Title: Vice President, Government and Regulatory Affairs

Organization: Potentia Renewables

Email: [REDACTED]

Date: April 19, 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 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?	<p>Potentia Renewables Inc ("Potentia") is supportive of the IESO's decision to use Monthly Production Factors instead of an Annual Production Factor to calculate the monthly Deemed Energy Market Revenue because it reduces some of the risk in the Enhanced Power Purchase Agreement ("E-PPA") revenue model. Using the Annual Production Factor to calculate the Monthly Revenue Requirement, also reduces risk to proponents by ensuring a more stable monthly revenues from month-to-month.</p>
Do you have any comments regarding use of the Forecasted Weighted Average Price (FWAP)?	<p>Potentia supports the use of the FWAP. Theoretically, using a weighted average price that closely represents a facility's achievable average price should mitigate much of the shape risk that was concerning for variable generators in the previous iteration of the E-PPA.</p> <p>As was raised in the Power Advisory submission on behalf of the Consortium of renewable energy generators, Potentia is seeking clarity on how the FWAP will interact with the planned "Non-Performance Charges". On slide 17 of the April 4th presentation, it says that power suppliers are expected to offer electricity at its marginal cost and that negative Day Ahead Locational Marginal Prices (DA LMPs) will be set to zero to indicate that no energy is needed. This is confusing as suppliers may decide to offer in when prices are negative just to avoid non-performance penalties.</p>

Topic	Feedback
<p>Do you have any comments or suggestions on further mitigating perceived risks associated with VG participation in the DAM?</p>	<p>Potentia is still concerned about the Day Ahead to Real Time ("DA-RT") risk in the proposed revenue model. We acknowledge that the IESO has heard our concerns but proponents and the IESO seem to be at an impasse on how to proceed.</p> <p>Given the variable nature of renewable generation, offering into a Day Ahead market is inherently risky as generators cannot guarantee that fuel will be available in Real Time. If the day ahead forecast doesn't materialize in real time, proponents will have to buy back any shortfall in the Real Time market. It's unclear to us where variable generators would buy power from in that situation.</p> <p>While forecasting is improving, even the IESO's forecast is off by 5% to 20% half the time. As a result, facilities will offer less into the Day Ahead Market ("DAM") to mitigate the two-settlement risk.</p> <p>Additionally, given Market Renewal has not been implemented yet, proponents do not have historical information to draw from to know what the DA to RT price spread will be. Adding more uncertainty, and therefore risk, on to proponents.</p> <p>Potentia supports CanREA's recommendation that the IESO develop a 'middle path' risk sharing contract mechanism to balance DART risk between proponents and the IESO.</p> <p>Further, we recommend that the IESO provide proponents with the choice to either (a) deem revenues under such risk sharing mechanism or (b) deem based on the DA price without the risk-sharing mechanism.</p>

LT2 RFP & Contract: Key Provisions

Topic	Feedback
Do you have any comments regarding the use of minimum production factors during proposal evaluation?	None.
Do you have any comments regarding the application of the non-performance charge?	<p>Potentia understands why the IESO wants to institute a non-performance charge, however given the complexities of the contract and the uncertainty of bidding into a market that will be new to Ontario, Potentia recommends a phased in approach to the non-performance charges. Phasing in the non-performance charge after the first year of operation will give proponents a better understanding of how their projects will perform in the new market and allow the to better manage future non-performance issues.</p> <p>Alternatively, if a phase in period is not acceptable to the IESO, Suppliers should have tools to mitigate the risk of non-performance penalties. This could include production factor restatements.</p> <p>Further consultation with potential Proponents is required to set appropriate threshold levels by resource type.</p>
Do you have any comments regarding the treatment of outages under the LT2 Contract?	None.
Do you have any comments regarding the payback of Deemed Market Revenues greater than the Monthly Revenue Requirement?	<p>Requiring Suppliers to pay back Monthly Deemed Energy Revenues in excess of their Monthly Revenue Requirement appears to be a departure from the concept of the E-PPA by placing limitations on market upside to Suppliers while other parts of the E-PPA structure expose them to market downside (e.g. DA-RT) without limitation. If variable generators have to take on all the downside risk, they should also benefit from all of the upside.</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?	None.

Long Lead Time Resources

Topic	Feedback
Do you have any comments regarding the IESO's considerations on Long Lead Time Resources, including timing, eligibility, targets, and term?	Potentia is supportive of a carve-out from the LT2 procurement for long-lead time resources. These resources can provide many benefits to the Ontario grid and should have an opportunity to participate.

General Comments/Feedback