

# Feedback Form

## Long-Term RFP – June 9, 2022

### Feedback Provided by:

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Following the June 9<sup>th</sup> public webinar on the Long-Term RFP, the Independent Electricity System Operator (IESO) is seeking feedback from participants on the additional procurement mechanisms, as well as on proposed revenue streams.

The referenced presentation can be found on the [Long-Term RFP webpage](#).

**Please provide feedback by June 20, 2022 to [engagement@ieso.ca](mailto:engagement@ieso.ca).**

Please use subject header: *Long-Term RFP*. To promote transparency, this feedback will be posted on the [Long-Term RFP webpage](#) unless otherwise requested by the sender.

The IESO will work to consider and incorporate comments as appropriate and post responses on the webpage.

Thank you for your contribution.

## Additional Mechanisms: Overview and Linkages

Topic	Feedback
Please provide any feedback on the IESO's overview of the Additional Mechanisms (Expedited Process, Same-Technology Expansions, FCA) and the linkages between acquisition mechanism (e.g., Expedited Process and LT1 RFP, or LT1 RFP and LT2 RFP)	

## LT1 RFP and Expedited Process: Mandatory Requirements and Rated Criteria

Topic	Feedback
Please provide any feedback on the Mandatory Requirements and Rated Criteria proposed for the LT1 RFP and Expedited Process.	

## LT1 RFP and Expedited Process: Proposed Contract Design

Topic	Feedback
Please provide feedback on the proposed contract design for the LT1 RFP and Expedited Process. The IESO welcomes feedback on the proposed approach for qualifying capacity as well as the proposed Capacity Payment Adjustment Mechanism.	<p>We appreciate IESO's effort in proposing a structure that can accommodate an all-source procurement however, there are only few technologies that can come online in time to meet the expedited and LT1 RFP. While the proposed structure looks like a capacity contract at face value, it is complex and passes a significant amount of risk to the developer/IPP, and the unintended consequences can be detrimental to the IESO and the Ontario rate payer.</p> <p>The Ontario market is going through unprecedented change with respect to capacity shortfalls, uncertainty re carbon pricing, and most importantly the market renewal which makes it extremely difficult for developers/IPPs to forecast future energy prices whereby the current structure sets collars upfront based on those energy price projections whereby the capacity payments are adjusted accordingly. We understand that the participation in the Energy Collar is optional, but</p>

Topic	Feedback
	<p>such mechanism opens IESO to a risk of accepting unsustainable low Capacity Bid price from those proponents that assume high energy forecast in their financial model. Such projects may default or be cancelled due to over-estimated project economics. The collars are also based on average energy prices which do not work for certain technologies such as energy storage as energy storage captures value based on arbitraging the market where the price spread between time of charging vs discharging sets the energy value so the collar structure may result in reduced capacity payments as a result of increased average energy prices in Ontario although the spread may not have changed.</p> <p>The current contract structure has not been financed in the past and the level of uncertainty in the future energy market and the potential reduction in capacity payments based on the current designed collars makes it difficult for the financing community to provide low-cost financing that would result in overall lower costs for the Ontario ratepayer. On the contrary, the proposed structure creates a high level of uncertainty whereby developers/IPPs will have to recover the overall revenue expectation through the capacity payment, at a higher cost of financing due to the proposed structure, which would result in a higher overall cost to the Ontario rate payer.</p> <p>Given that the IESO is dealing with a reliability issue because of the capacity shortfall, in a market where development has slowed down significantly over the past +5 years, it is in the best interest of the IESO and the Ontario rate payer to provide a contracting mechanism (e.g. a Bundled CFD) that provides revenue assurance to the developer/IPP while ensuring that the contract is bankable, can be financed at the lowest cost possible, which will foster competition and deployment of at-risk development dollars, ensure that projects are delivered timely to meet the capacity shortfall and will result in overall lower costs to Ontarians. The contract structure should impose performance standards that</p>

Topic	Feedback
	would ensure that the project is available to operate when the market needs it.

## LT1 RFP and Expedited Process: Proposed Term Lengths

Topic	Feedback
Please provide any feedback on the term length considerations proposed in addition to the incentive mechanism for the Expedited Process.	

## Deliverability Assessment

Topic	Feedback
Please provide feedback on the IESO's proposed process for deliverability testing and timelines.	<p>From a deliverability standpoint, Aypa Power recommends that the IESO provides the maximum deliverability available at each location where a project is proposed by a potential participant and whether there is competition at that given location as opposed to having participants request a deliverability assessment per project based on three variations of project sizes or points of interconnection ("POI").</p> <p>Given that the methodology for assessing deliverability is not public and participants are unable to run their own deliverability assessments, the unintended consequences of the current approach is that a viable project that has sufficient land to accommodate a large project and sufficient interconnection capacity at a certain POI may not show any deliverable MWs based the variations submitted to the IESO which would result in the project being excluded from bidding into the upcoming expedited procurement and potentially the L1 RFP.</p>

## Additional Acquisition Mechanisms: Same Technology Expansions

Topic	Feedback
Are the descriptions of the different kinds of upgrades/expansions clear and reflective of the options?	
What are the interdependencies between the existing contract, any upgrades and on-site expansions that need to be considered?	
Are any interdependencies missing/not fully captured?	
What are the considerations for participating in the Expedited Process or LT1 RFP?	
What other key considerations/risks need to be included to help ensure this initiative is successful?	

## Additional Acquisition Mechanisms: Forward Capacity Auction

Topic	Feedback
<p>Is expanding eligibility to variable generation, self-scheduling and co-located hybrid facilities in the FCA and ACA a priority for stakeholders?</p> <p>(Refer to slide 99)</p>	
<p>Any feedback and suggestions on how the performance assessment framework may need to be modified to reflect the design differences?</p> <p>(Refer to slide 106)</p>	

Topic	Feedback
<p>Any feedback on potential features that could be considered for the design of the FCA?</p> <p>(Refer to slide 108)</p>	
<p>Is expanding eligibility to variable generation, self-scheduling and co-located hybrid facilities in the FCA and ACA a priority for stakeholders?</p>	
<p>Any feedback and suggestions on how the performance assessment framework may need to be modified to reflect FCA design differences?</p>	
<p>What other design features should be considered to increase the attractiveness of a Forward Capacity Auction as part of IESO's suite of acquisition mechanisms?</p> <p>(Refer to slide 110)</p>	

## General Comments/Feedback