

Feedback Form

Long-Term RFP – June 9, 2022

Feedback Provided by:

Name: Denise Heckbert

Title: Sr. Advisor, Strategy & Markets Policy

Organization: Enbridge Inc.

Email: [REDACTED]

Date: June 20, 2022

Following the June 9th 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.

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 |
|--|---|
| <p>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)</p> | <p>Enbridge supports the following proposals from IESO:</p> <ul style="list-style-type: none"> - We support IESO’s proposal that any projects not selected in the Expedited Process would be eligible to be bid into the LT1 RFP. Proponents should be able to make changes to the projects bid insofar as the changes do not necessitate another deliverability assessment (e.g., as long as the MWs did not increase). - We further support IESO’s plan to start work on the LT2 process as soon as possible in 2023, and to focus on energy needs with a potential revisiting of the four-hour continuous power delivery requirement. The sooner IESO can provide some certainty on the size of LT2 and its contract design, the sooner proponents can invest resources to develop project proposals. <p>It is not clear what resource type the “same technology” Upgrades and Expansion RFP is intended to procure. We would strongly support IESO enabling existing resources to participate in long-term RFPs as repowered projects, which will help to keep existing assets providing low-cost power to Ontarians for decades to come. However, the proposed Upgrades and Expansion RFP does not seem likely to enable such participation for most existing resources given the constraints, including the short contract period and eight-hour continuous power delivery requirement.</p> |

LT1 RFP and Expedited Process: Mandatory Requirements and Rated Criteria

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

Enbridge generally supports IESO's proposed rated and mandatory criteria with a few updates and clarifications.

- **Duration of Service** – We understand four hours' continuous service is a mandatory criterion and that it is possible to get extra rated criteria points for longer duration. We request clarification on whether 4 hours and 1 minute would receive three points under the RFP or if there is a sliding scale.
- **Community Engagement** – Engagement with local communities and Indigenous groups is a top priority for Enbridge and we support the requirement to provide an engagement plan as a mandatory criterion. Given the coming municipal election and the fact that the Expedited Process will only be open for a short window after proponents learn they are qualified to bid, it may not be possible to hold a formal community meeting with involvement of the local municipal government in time for the RFP close. We request IESO clarify that the public meeting could be an open house or other such informal event insofar as a proponent holds the event in the community and undertakes reasonable efforts to advertise the event.
- **Indigenous/Municipal Support** – We believe the intent of this requirement is that proponents obtain support for the proposal to use land to develop an energy project, as opposed to requiring a resolution of support for the specific project size, technology, location/design, etc. In this case, we support the requirement but request that IESO clarify this detail.
- **Location** –We request additional clarification on "West Transmission Zones." We understand that IESO intends to provide additional detail by the end of June but that will be too late for proponents considering participating in the Expedited Process, given the requirement that those proponents provide details for any project

| Topic | Feedback |
|-------|---|
| | <p>they may want to bid into the Expedited Process in their RFQ response, due June 30th. We request that IESO provide this clarification as soon as possible.</p> <ul style="list-style-type: none"> - Indigenous Participation – Enbridge has partnerships with Indigenous groups and we support IESO’s encouragement of such partnerships. We request clarification on how IESO views “economic interest” and whether IESO would be open to a variety of potential partnership arrangements insofar as the proponent and its partner can demonstrate how the economic interest of the Indigenous partner is equal to the threshold claimed. <p>IESO stated that it will release details on its Evaluated Proposal Price Model once the contract design is complete. This will be a critical component to developing RFP bids under the Expedited Process and LT1. We know IESO is working to finalize these details as soon as possible but we encourage IESO to finalize details well before the RFP window opens for the Expedited Process so proponents have the time necessary to develop their pricing and to prepare their bid(s).</p> |

LT1 RFP and Expedited Process: Proposed Contract Design

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.

Enbridge supports IESO's decision to enable proponents to provide and bid their own qualified capacity to form the contract capacity. We request that IESO define "Qualifying Hours."

IESO stated that a generator's inability to meet the four-hour duration of service requirement could result in a proportional claw back of a portion of the capacity payment. We request more detail on this claw back, e.g., would it be just for the period within the settlement period for which the generator failed to provide the power (i.e., the specific day), would the "proportional" claw back also be proportional to the degree to which the entity missed the duration window (e.g., five minutes as opposed to three hours), and what is the minimum percentage to be clawed back and how does it step up? This will be a critical risk to price into bid prices and the more clarity IESO can provide, the better for proponents and ratepayers.

Capacity Payment Adjustment Mechanism

Enbridge appreciates that IESO has listened to concerns about uncertainty related to the ongoing Market Renewal Process and future energy market prices and operations. We also appreciate that IESO is attempting to reduce uncertainty in the economic model, which we agree will be critical to providing the most cost-effective proposals for ratepayers.

However, the Capacity Payment Adjustment Mechanism (CPAM) is not the solution. The CPAM as proposed would introduce several new layers of uncertainty to an already unavoidably uncertain situation. For example,

- The CPAM still relies on LMPs yet to be determined or tested following MRP. This proposal does not mitigate the uncertainty that would have been present under a Capacity+CfD model (which Enbridge still supports).
- The CPAM does not enable proponents to bid a CfD price they have modelled into their bid price. Instead, the CPAM makes all energy pricing subject to future evaluations by IESO, including

of the mean pricing floor and ceiling and the average energy market price (LMP). Under CPAM, there is no known price that a proponent can model to determine whether its bid will cover its capital and operating expenditures with any certainty.

- The CPAM enables the proponent only to bid a percentage it is comfortable having its bid topped up or clawed back based on an unknown price value. Choosing a percentage value without knowing the mean pricing range values and without visibility into future LMPs introduces significant risk.
- Furthermore, IESO indicated that being a penny over or under the IESO-determined price ceiling or floor would trigger the full percentage claw back or top-up, as applicable. This represents enormous risk as compared to a CfD model.
- IESO has proposed to adjust top-ups or claw backs on a quarterly basis, whereas CfD is typically settled in much smaller increments. The CPAM introduces significant operational and market participation risk.
- The CPAM is an entirely new contract design with lots of unknowns for IESO, proponents and the financial community. Given the uncertainty regarding MRP and the extremely compressed RFP timelines, particularly under the Expedited Process, circumstances are not ideal to introduce untested economic models into the contract design.
- Finally, it is not clear how proposals would be evaluated under CPAM. Information on this evaluation process would need to be finalized and available as soon as possible, e.g., in early-July.

All this additional uncertainty will be baked into the bid prices, which is not the ideal outcome for ratepayers. In the interest of securing low-cost investment as quickly as possible, Enbridge recommends that IESO return to the capacity + CfD model previously proposed by many stakeholders to this LT1 engagement process.

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. | Enbridge supports IESO’s proposed term lengths. These term lengths will help provide the economic certainty and investor confidence needed to finance projects at reasonable rates. We appreciate IESO’s engagement with stakeholders on this point. |

Deliverability Assessment

| Topic | Feedback |
|---|--|
| <p>Please provide feedback on the IESO’s proposed process for deliverability testing and timelines.</p> | <p>There is too much uncertainty on how the deliverability assessment will be performed. IESO has stated that it will provide details on how the test will be carried out by the end of June but that is too late for proponents considering participating in the Expedited Process who must submit all project details in RFQ responses. We request IESO provide this additional detail as soon as possible and ideally in line with the addenda deadline for the RFQ process.</p> <p>The same is true for IESO’s commitment to release circuits to be avoided and preferred connection locations on the circuits west of Chatham by mid-June. We request that IESO release this info as soon as possible.</p> <p>Given the considerable uncertainty around the deliverability assessment process, it will be critical for proponents planning to participate in the Expedited Process to be able to make changes to the detail for each project included in the RFQ when submitting their Expedited RFP response. We understand that IESO is hoping to have some clarity on the deliverability of those Expedited Process project proposals, so we recommend that proponents be free to reduce project size, reduce continuous hour duration, and make other changes insofar as such changes would not be likely to require new deliverability assessments.</p> <p>This is consistent with IESO’s proposed deliverability assessment approach as IESO has stated that it will assess up to three versions of each project submitted for deliverability assessments – presumably the intent is to enable modifications to projects submitted in the RFQ stage, including under the Expedited Process.</p> |

Additional Acquisition Mechanisms: Same Technology Expansions

| Topic | Feedback |
|--|--|
| <p>Are the descriptions of the different kinds of upgrades/expansions clear and reflective of the options?</p> | <p>It is unclear whether “Facility Upgrades” is also meant to capture cases where significant equipment and even foundation replacements are needed. Otherwise, the definitions are clear.</p> |

| Topic | Feedback |
|--|---|
| <p>What are the interdependencies between the existing contract, any upgrades and on-site expansions that need to be considered?</p> | <p>It appears that IESO’s intent is that these proponents would add or upgrade equipment of the same technology for a term length of 10 years (option #2) or, in many cases, shorter (option #1). We do not believe these term lengths offer sufficient time to recover the investment of major equipment additions or replacements/upgrades.</p> <p>Enbridge appreciates IESO’s consideration of existing assets and recommends that IESO also offer existing resources the ability to participate in future long-term RFP processes with 20-year contracts to enable major repowering and/or expansions of existing resources, potentially under LT2 and/or future RFPs. We request clarification on the timing and nature of such RFPs as soon as possible as maintenance and operational decisions are being made now for existing assets with contract expiry dates in the late-20s/early-30s.</p> |
| <p>Are any interdependencies missing/not fully captured?</p> | |
| <p>What are the considerations for participating in the Expedited Process or LT1 RFP?</p> | |
| <p>What other key considerations/risks need to be included to help ensure this initiative is successful?</p> | |

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> | |

| Topic | Feedback |
|--|----------|
| <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> | |
| <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

IESO has undertaken considerable engagement efforts on the design of these procurements and we support many of IESO's proposals with the clarifications and modifications outlined above.

The timelines for the Expedited Process and LT1 RFP are quite short and the time to develop, finance, and build project once contracts have been awarded will also be quite tight. For these reasons, Enbridge recommends that IESO adopt a contract design that is straightforward and that has been time tested in other markets. A capacity+CfD design is familiar to developers and investors and, while there will be uncertainty related to MRP and future prices, it at least minimizes most other uncertainty and avoids introducing unknown risk into the contract. A capacity+CfD design would result in the best rates for IESO and ratepayers because it minimizes risk for proponents.

We further reiterate that IESO should share as much detail as possible as soon as possible on circuits to avoid, on the optimal connection areas west of Chatham, on the deliverability assessment model, on the economic proposal evaluation model, on the contract design, and on IESO's approach to claw backs in the event of failure to meet the bid continuous power delivery duration. The more time proponents have to model and analyze these details, related risks, and related pricing, the more cost-effective bids IESO will receive under these procurement processes.