Feedback Form

Long-Term RFP – June 9, 2022

Feedback Provided by:

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- 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
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)	

LT 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.	Instead of evaluating Indigenous Participation as a rated criteria, the IESO should consider having a price adder for the various levels of Indigenous Participation that could be applied at any time during the contract term (e.g. this could be a X% adder to the Net Revenue Requirement). This would allow proponents to have more time to negotiate Indigenous Participation agreements and provides an ongoing incentive for these types of agreements to be entered into post contract award. The expedited procurement timelines might not allow for enough time for projects to secure Indigenous participation prior to proposal submission. How would the Indigenous Participation rating work if during the course of construction, after a contract is awarded, another non-Indigenous equity investor funds the project. The percentage ownership structure has changed from the time the rated criteria was used to award the contract. It will be helpful for IESO to further define economic interest. For example could economic interest include the value of supply/construction related contracts awarded by the project to Indigenous owned companies? Additionally, IESO should consider adding another category to the rated criteria that would include Emissions in order to facilitate the transition to net zero and meet the proposed Federal Clean Energy Standard requirement mentioned in the Term Length section of this document found below.

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.	As noted in our last submission to IESO, OPG's preference would be to use a traditional Contract for Differences (CFD). IESO's proposed capacity payment adjustment mechanism is unduly complex and would put certain technologies at a disadvantage, particularly energy storage technologies. It would be beneficial to have more than one contract style that could take into consideration various tecnhnology types. However, if the IESO decides to limit the contract to only one contract style for all technology types, then OPG recommends the IESO revisit a CFD that is inclusive of both energy and operating reserve (OR). It is worthwhile to consider including operating reserve revenues within the CFD structure. The large amount of energy storage potentially entering the Ontario market creates a significant level of uncertainty for future operating reserve prices. Historical OR clearing prices may no longer be relevant as large amounts of energy storage resources (i.e. a resource that can provide Operating Reserve at a very low marginal cost) enter the Ontario market. The impact of this change is very hard to predict and makes it difficult for proponents to forecast OR revenue. $/MW-month that includes both capacity revenues and energy market revenues is preferred. In a standard CFD the IESO would pay the Revenue Rate in exchange for the market revenues. An option that can be considered for an incentive instead of returning 100% of market revenues, approx. 80 - 95% would be returned and the participant would keep the 5%-20% in addition to the Revenue Requirement (top-up). It would be beneficial if charges such as Global Adjustment, Network Service, Demand and Uplift Charges were reduced as much as possible in order to increase utilization of green renewable facilities in a time when green renewable resources are valuable to the system going forward. Another option that the IESO can consider would be to flow the various charges through consistent with The Energy Storage Phase II contract.

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.	It is important to consider the major transformation expected in the electricity sector, not only through the IESO Market Renewal Project, but also through the changes in asset mix that will be required to facilitate the transition to net zero and meet requirements such as the proposed Federal Clean Energy Standard (as mentioned above in the rated criteria). The electricity system may look very different in 20 years; as a result, it is very difficult for proponents to predict future potential revenue streams. Energy and Operating Reserve markets have the potential to be significantly disrupted by entry of a large amount of resources with very low variable operating costs. OPG supports the proposed longer contract length of 20-22 years however longer terms may be more beneficial for projects such as pumped storage or hydroelectric. This would align with asset lifetimes. A hard stop at May 1, 2025 (e.g. contract cancelled and any securities forfeited) will be very hard for proponents to work with. There needs to be a defined process for managing project in-service delays and providing schedule relief for certain types of delays that are outside the proponents control. For instance as part of the contract, IESO could specify predefined schedule durations for key activities by third parties like the CIA/SIA process and related connection implementation work and grant schedule relief if the schedule durations are exceeded due to other involved parties (e.g. IESO, Transmitters, and LDCs). The IESO needs to engage Hydro One to ensure that these connection agreements are developed in a timely manner and that appropriate schedules are put in place.

Deliverability Assessment

Topic	Feedback
Please provide feedback on the IESO's proposed process for deliverability testing and timelines.	Can the IESO provide TAT/DAT tables in advance of the Deliverability Tests to provide guidance to proponents for the potential project size that could be targeted for a given location? Please provide information on whether modifications can be made to the MW uprate/expansion amounts as the project nears completion and a better understanding of the MW capability is known. Is there a possibility that even though a project is deemed deliverable that the Transmission Connection Assessments (CIA/SIA) is deemed unsuccessful or not feasible? If this could happen, then a provision needs to be included into the existing contract that will allow the termination of the project without penalty. The IESO needs to engage Hydro One to ensure that these connection agreements are developed in a timely manner and that appropriate schedules and a coordinated plan are put in place.

Additional Acquisition Mechanisms: Same Technology Expansions

Topic	Feedback
Are the descriptions of the different kinds of upgrades/expansions clear and reflective of the options?	• In order to participate in the LT RFP, it is critical that Hybrid Integration Project, specifically the Co-located Hybrid Facility Model 2 of this new storage resource be able to participate in the LT RFP. The Hybrid Integration Project model seems geared specifically for existing generating facilities to avail themselves of developing storage resources on site. The existing generator will continue to operate as it does today and the storage facility will register as both a load and a generator (as storage does today). Please confirm that the Hybrid Integration Project model will be able to participate in the LT RFP. • Further, from the December Hybrid Integration Project Webinar, the IESO has even acknowledged that should existing resources with existing contracts be able to participate in the LT RFP, then co-located hybrid model seems to be the most appropriate as the existing resource can operate independently under its current contract and the new storage facility will receive its own contract from the LT RFP. Essentially, the addition of the new incremental capacity to be co-located on the same land as an existing contracted resource should therefore, be able to participate.
What are the interdependencies between the existing contract, any upgrades and on-site expansions that need to be considered?	A clear definition of what is in the existing contract is required and what the upgrade will be. This becomes important in the event that a facility will need to take additional outage time in order to install the uprate. This will add a financial burden to the facility that is attempting to come into service on May 1, 2025. A provision to the current contract could be made to help alleviate the extra unexpected financial burden of the uprate. An approach needs to be determined to identify and track incremental capacity over and beyond the existing contract. This is especially important for Hydroelectric projects as this affects revenues and costs, for example, on the cost front this particularly affects GRC.

Topic	Feedback
Are any interdependencies missing/not fully captured?	Outage management for the uprate/expansion needs to be defined fully.
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?	The incentive program introduced for the Expedited RFP process should be expanded to include the Same Technology Expansions.

Additional Acquisition Mechanisms: Forward Capacity Auction

Topic	Feedback
Is expanding eligibility to variable generation, self-scheduling and co-located hybrid facilities in the FCA and ACA a priority for stakeholders? (Refer to slide 99)	
Any feedback and suggestions on how the performance assessment framework may need to be modified to reflect the design differences? (Refer to slide 106)	
Any feedback on potential features that could be considered for the design of the FCA? (Refer to slide 108)	
Is expanding eligibility to variable generation, self-scheduling and co-located hybrid facilities in the FCA and ACA a priority for stakeholders?	

Topic	Feedback
Any feedback and suggestions on how the performance assessment framework may need to be modified to reflect FCA design differences?	
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? (Refer to slide 110)	

General Comments/Feedback

- The medium-term RFP, a forward capacity auction and the different permutations of the LT RFP, leads to a complex procurement process for resource adequacy. Proponents need to assess which mechanism yields the best value, prepare to submit proposals perhaps to more than one procurement mechanism and navigate the transition between these mechanisms if there is overlap. OPG recommends that the IESO simplify this process as much as possible. One option may be to combine the medium-term and all of the long term RFPs, issue one RFQ for all and allocate different ratings or incentives for each within the same contract structure.
- Would there be a requirement to maintain a decommissioning fund or bond for the removal of these systems at the end of life?
- It appears that unsolicited proposals have not been included in these mechanisms - are they included in the target capacity and will it be adjusted going forward?