

Feedback Form

Long-Term RFP – May 4, 2023

Feedback Provided by:

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Following the May 4th public webinar on the Long-Term RFP (LT1 RFP), the Independent Electricity System Operator (IESO) is seeking feedback from participants on design of the LT1 RFP and LT1 Contract.

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

Please provide feedback by May 18, 2023 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.

Areas of Feedback:

Topic	Feedback
<p>The revised proposed procurement timeline presented on May 4, with regards to changes to the schedule of the Deliverability Test process.</p>	<p>Clear timelines are critical for building positive working relationships with communities, who may not have clear visibility into IESO's processes, for meeting development milestones, and for securing battery and transformer agreements. Competing in an increasingly competitive global supply chain on tight development timelines is challenging and changing timelines introduce risk and uncertainty that can drive up prices and/or deter participation in the procurement.</p> <p>We generally support IESO's proposed timelines and request that IESO ensure, to the extent possible even if doing so requires a conservative approach to establishing timelines, that it adheres as closely as possible to those timelines.</p> <p>We further request that the forms for the Deliverability Test for LT1-RFP be posted to the IESO website as soon as possible.</p>
<p>The proposed broadened definition of an Eligible Expansion facility, which gives the optionality of connecting to a separate connection point as long as the new resource remains within the boundaries of the existing site.</p>	

Topic	Feedback
<p>The removal of locational Rated Criteria points due to a provincial wide Capacity need within the timeframe of the LT1 RFP.</p>	<p>IESO's proposal to eliminate locational rated criteria points is a major change from the Expedited LT1-RFP and from previous consultation work on this LT1-RFP. We recommend that the proposal not be adopted.</p> <p>IESO's stated intent for holding the LT1-RFP in two phases was to provide locational signals to developers who could then go secure land, municipal support, and design new projects that were not ready to be bid into the Expedited LT1-RFP. Developers rely on such signals to make development expenditure decisions.</p> <p>We recommend that IESO retain the rated criteria points as set out in the Expedited LT1-RFP for this second stage of LT1-RFP. This will help ensure the integrity and transparency of the LT1-RFP process.</p>

Other or General Comments/Feedback:

Enbridge appreciates the opportunity to provide comments on the Long-Term 1 (LT1) RFP design and process, and the proposed Deliverability Test process.

Ontario requires significant investment in its electricity infrastructure in the next decade to meet the ratepayers' needs. In order to attract experienced service providers that can deliver the needed power on time and reliably over the term of the contract, IESO must provide as much certainty as possible regarding its system needs, proposed procurements, and related timing. Ontario is competing for investment with multiple other provinces and states that have clear and consistent procurement plans and that adhere closely to the timing and locational signals provided. We recommend that IESO establish timelines that it can adhere to under LT1, even if that means taking a more conservative approach than it would otherwise. The additional certainty will be very helpful to developers in communications with communities and other stakeholders and in procuring needed equipment.

We also recommend that IESO stand by its previous consultations and proposals for LT1. Specifically, IESO has said in prior consultations that it intended to develop a two-phase RFP structure that more developed projects could bid into rapidly and that newer projects could rely on as direction to develop projects and secure municipal support over a longer period to be bid into the second phase. The RFP was intended to serve – with minimal to no changes from the Expedited process – as the RFP document for LT1-RFP. IESO had previously identified likely changes to include a lower proposal security and requiring municipal support as a mandatory criterion.

This forward guidance was helpful in securing and focusing development capital within Ontario. Developers made investments, engaged with communities and local governments, and partnered with Indigenous communities based on IESO's direction. We encourage IESO to continue providing advance locational and contract-style guidance in future procurements.

However, IESO has indicated it is considering a couple changes that would constitute significant deviations from the Expedited process for LT1-RFP. These changes, if adopted, could strand development investment and

undermine the transparency and integrity of the LT1-RFP process. These changes, if adopted, could also undermine developer confidence in taking locational and investment signals from IESO for future procurements.

Therefore, we herein generally support IESO's proposals that would have the LT1-RFP remain as similar as possible to the Expedited process, and we recommend against some of the changes IESO has proposed that would represent a significant deviation from recent guidance. We also reiterate our request submitted during the Expedited consultation process that IESO make a minor change to the Indigenous Economic Participation requirement which, as drafted, inadvertently complicates Indigenous partnerships.

We address the specific topics below and are available to discuss.

Closed Items

We support IESO's proposal to lower the Proposal Security as it had proposed in prior consultations on the LT1-RFP. This is important for maintaining developer confidence in IESO's investment signals and the RFP process itself.

We further support IESO's continued use of the Capacity revenue model from the Expedited phase of the LT1-RFP. IESO discussed in the engagement session potentially removing the Spread Adjustment Factor and/or the Lithium Indexing. Whatever IESO decides regarding the retention or removal of the SAF and MCIA, IESO must retain the right for Proponents to set the SAF at 0.0 and to opt-out of the MCIA as in the Expedited LT1-RFP. This provided Proponents the ability limit uncertainty in their revenue models, which might otherwise have led to increased prices and/or prevented Proponents from bidding.

Timeline and COD

IESO's timelines

Clear timelines are critical for building positive working relationships with communities, who may not have clear visibility into IESO's processes, for meeting development milestones, and for securing battery and transformer agreements. Competing in an increasingly competitive global supply chain on tight development timelines is challenging and changing timelines introduce risk and uncertainty that can drive up prices and/or deter participation in the procurement.

We generally support IESO's proposed timelines and request that IESO, to the extent possible even if doing so requires a conservative approach to establishing timelines, adhere as closely as possible to those timelines. This would be an important improvement over the Expedited process.

For example, we recommend that IESO identify a period no longer than a month in which it will make Contract Awards – a window IESO is certain it can make even if that certainty pushes the window to late-Q2. This would provide more certainty for equipment procurement and other key investment decisions.

Deliverability

We understand the complexity involved in completing the deliverability assessments and in providing more detail than just “deliverable” or “deliverable but competing” or “not deliverable” determinations. However, those indicators do not provide the information necessary to support informed bidding or project development. As a

result, we recommend IESO, Hydro One, and the LDCs work together to provide additional information as part of LT1 and looking ahead to future procurements.

Specifically, we agree with Energy Storage Canada that IESO should identify if a short-circuit is the limitation in a “deliverable but competing” or “not deliverable” result and should provide a path for Proponents to fund the upgrade of short-circuit limits as part of the bid process. We further support their recommendation that IESO immediately begin instituting a Critical Energy Infrastructure Information (CEII) process to allow qualified applicants the ability to access transmission and interconnection information needed to develop projects, and that IESO establish an ad hoc process for LT1 to allow qualified proponents to receive a regional transmission map for their projects to determine interconnection points before deliverability test submissions.

We further request that IESO identify the type of resource a project is competing against, e.g., storage, non-storage, in the “deliverable but competing” results. This will help direct limited development capital within the province.

Early-COD incentives

IESO has consistently stated, throughout the LT1-RFP and Expedited LT1-RFP consultations, that its intent for the LT1-RFP was that it would have a May 2027 deadline for reaching commercial operation but that developers could have a longer contract with early-commercial operation date (COD) incentives if they are able to enter operation prior to May 2027.

IESO stated in the engagement session that it is re-examining this commitment. This would constitute a major change to the LT1-RFP. In the May 4th webinar, IESO said, “IESO previously communicated its intent to design the LT1 RFP in a manner consistent with the E-LT1 RFP, with minimal changes expected.”¹ Developers have made investment decisions anticipating the opportunity to enter operation earlier than May 2027 and to capture additional revenue. Removing this opportunity is not a minimal change but a major deviation from the Expedited LT1-RFP and IESO’s previous comments on its expectations for this second phase.

Successful Proponents under LT1-RFP should be able to enter operation prior to May 2027 and to capture the longer agreement term and early-COD incentives. The Expedited LT1-RFP has been subject to delays and winning projects under that RFP could be delayed and possibly subject to unexpected costs and supply chain complications. We recommend IESO incentivize early operation under LT1-RFP, including maintaining its previous proposals regarding early-operation.

Rated Criteria - Locational Considerations

IESO’s proposal to eliminate locational rated criteria points would represent a major change from the Expedited LT1-RFP and from previous consultation work on this LT1-RFP; the proposal should not be adopted.

IESO’s stated intent for holding the LT1-RFP in two phases was to provide locational signals to developers who could then go secure land, municipal support, and design new projects that were not ready to bid into the Expedited LT1-RFP. This forward guidance was helpful in securing and focusing development capital within Ontario. Developers made investments, engaged with communities and local governments, and partnered with

¹ Slide 7 of the May 4, 2023 “LT1 RFP Engagement Webinar”

Indigenous communities based on IESO's direction. We encourage IESO to continue providing advance locational and contract-style guidance in future procurements.

IESO has proposed the removal of the locational signals that developers relied on to make development expenditure decisions. These changes, if adopted, could strand development investment and undermine the transparency and integrity of the LT1-RFP process. These changes, if adopted, could also undermine developer confidence in taking locational and investment signals from IESO for future procurements.

We recommend that IESO retain the locational rated criteria points as set out in the Expedited LT1-RFP for this second stage of LT1-RFP. This will help ensure the integrity and transparency of the LT1-RFP process.

In the event IESO truly does not need any more capacity in the West of Chatham area and/or the grid cannot support additional development, we recommend that IESO reconsider how it communicates its locational requirements in future procurements. As described above, IESO had positioned the locational rated criteria points as meeting an immediate need for the Expedited phase but also providing locational guidance for new projects that would require development before bidding in the second phase of LT1-RFP. This means that the locational signals were intended to support up to 4 GW of development. Now IESO has proposed to do away with the locational signals indicating system crowding well short of that capacity. We recommend that IESO clarify future locational needs communications about capacity needed and the system's ability to support the new capacity.

Design Decisions Pending

Community Engagement

Indigenous Communities

We absolutely support IESO continuing to gather feedback on consultations with Indigenous Communities, which is a priority for Enbridge. We request that any mandatory requirements be finalized as soon as possible as the bid date is just six months away, which reduces time for public consultation and follow-up, in case IESO establishes any new specific requirements.

Municipal Support

We strongly recommend that IESO accept all Municipal Support letters submitted under the Expedited LT1-RFP for this LT1-RFP process. It is quite a lot of work for Municipalities to review these requests for support and to process and accommodate all feedback and engagement sessions. IESO's stated intent of making the Municipal Support mandatory in the second phase of LT1-RFP was to ensure that those who could get support for the Expedited process were covered and that those who couldn't had more time to engage. Requiring those who obtained support under the Expedited phase of LT1-RFP to go and secure that approval again is contrary to IESO's intended process as set out in 2022.

Specifically, those who used IESO's form letters which specify the support is for the ELT1-RFP process should also be accepted for the LT1-RFP process unless a time or process limit was specifically referenced in the Municipality's resolution, indicating a deliberate intent to limit the scope of the support. The letter IESO drafted was often adopted and signed without edit and does not in itself imply any intent on the Municipality's part to limit the scope of the support.

We further recommend that, in the event Municipal Support is not mandatory for RFP participation, IESO maintain the related rated criteria points for any projects having Municipal Support (including as per the above paragraphs). We believe this is IESO's intent, as stated in the May 4th engagement session.

Consultations

We further recommend that IESO accept any stakeholder engagement evidence submitted under the Expedited LT1-RFP as evidence of consultation under this LT1-RFP, insofar as the projects have not moved locations over a greater distance than the limits set out in the Expedited LT1-RFP and the maximum nameplate capacity is the same or less. These consultations are less than one year old and, in many cases, occurred in late-2022 or early-2023. It is reasonable to expect that the communities are still aware of the projects and engaged in development.

Proposal and Group Award Limits

Enbridge recommends that the Proposal and Group Award Limits remain the as set out in IESO's presentation, i.e., 600 MW for storage, 400 MW for non-storage, and no more than 10 projects. IESO established these limits to ensure a diverse set of suppliers and so that the ratepayers of Ontario were not overly dependent on any one developer for their reliable and affordable access to electricity when they need it the most. Nothing has change since the Expedited LT1-RFP to alter these considerations, so there is no reason to change these limits.

MCIA and FSAF

As noted above, whatever IESO decides regarding the retention or removal of the SAF and MCIA, IESO must retain the right for Proponents to set the SAF at 0.0 and to opt-out of the MCIA as in the Expedited LT1-RFP. This provided Proponents the ability limit uncertainty in their revenue model, which might otherwise have led to increased prices and/or prevented Proponents from bidding.

CIB/ITC

CIB

We request, to the extent IESO and CIB can, if CIB is going to participate in the LT1-RFP process, that CIB involvement and related timelines be made clear as soon as possible, or otherwise that CIB's process remain separate and individual entities can work directly with CIB for determining financing eligibility.

ITC

Enbridge's understanding of the legislative process for the Federal 2023 Budget is that draft legislation will be available in the summer but that it will not be finalized and passed until after IESO's proposed bid date for the LT1-RFP. Furthermore, related regulatory work will take place in early-2024 and consultation work on the 15% tax credit for non-taxable entities will still be underway. As a result, Proponents will once again be bidding without true certainty on the ITC programs.

However, IESO will have a lot more information than under the Expedited LT1-RFP and would be well positioned to provide guidance to Proponents. We recommend that IESO provide direction to Proponents on what to include in their bids (even if only the 20% ITC without the labour adder) and clarify that if the legislation is not passed or is altered such that the value changes and/or battery storage, for example, is no longer eligible, that bid prices would be adjusted. This will result in lower prices for Ontario ratepayers.

Indigenous Economic Participation

For the reasons noted above, there will also be considerable uncertainty for developers and Indigenous partners on several key financial topics, including corporate structure, how partnerships will access credits under the Federal program, and financing structures. As a result, it will be risky for all parties to lock into a particular arrangement from pre-bid to seven years post-COD, as required under the Expedited LT1-RFP.

The intent of the rated criteria points for Indigenous Economic Participation is to encourage meaningful Indigenous participation in the projects, not just as an equity holder but as a true partner. IESO's requirements inadvertently undermine that objective, particularly when overlaid with the uncertainty from the Federal Government.

We strongly recommend that IESO adopt one of the proposed minor changes below. This would ensure consistency with most other processes where Indigenous participation is required or encouraged. Specifically:

- IESO could change Indigenous Economic Participation to a price adder, where bidders would bid lower prices if they were confident that they will sign an equity partnership of a certain percentage with one or more Indigenous partners at COD. Their bid price would subsequently be increased by the adder in the event they had a signed, documented agreement with their Indigenous partners at COD.
- Alternatively, IESO could remove the requirement for a binding org chart and securities registry as evidence of the partnership at time of bid and could instead require only a Letter of Intent specifying the parties, the percentage equity stake, and possibly a narrative of the partnership to show the advanced state of the partnership discussions.
- Alternatively, IESO could keep its RFP and evidence requirements as is, but allow Indigenous Economic Participation to drop to 0% between bid date and COD, provided it is returned to the bid percentage at COD.

These options would be simpler and avoid the inadvertent complexity while ensuring the IESO's objective of long-term, robust economic partnerships with Indigenous communities is achieved.

Conclusion

Thank you again for the opportunity to comment in the LT1-RFP. We reiterate that IESO's intent, as stated throughout the past 18 months and again in its May 4th engagement session, is that the Expedited stage and this second stage of the LT1-RFP process would be very similar with only minimal changes expected. Some of the changes IESO has proposed, e.g., to locational rated criteria points and early-COD incentives, would represent major changes and should be avoided. It will also be critical to meeting deadlines for IESO to accept Municipal Support and consultation evidence submitted under the Expedited LT1-RFP process, which was the original intent for the design of the broader LT1 process.