

Feedback Form

Long-Term 2 (LT2) RFP – February 15, 2024

Feedback Provided by:

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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 February 1, 2024, engagement webinar, the Independent Electricity System Operator (IESO) is seeking feedback from stakeholders on specific 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 February 15, 2024.

Revenue Model

Topic	Feedback
<p>Do you have any additional comments regarding the revenue model, particularly with regards to the following: Deeming energy market revenues based on real-time locational marginal prices (LMP), as opposed to the IESO's recommendation of basing this on the day-ahead LMP. (Slides 19-21)</p> <ul style="list-style-type: none"> The optionality of using either a simple average day-ahead price or weighted average LMP, with the latter including hours where the resource was scheduled day-ahead in a given month. (Slides 22-23) Including monthly production factors that on average equate to the annual production factor, in order to further account for seasonality. (Slides 24-26) 	<p>There have been some concerns expressed regarding the potential for scenarios in which a waterpower resource is picked up in the Day Ahead Schedule then constrained off in real time. While it is understood that the resource would be kept financially whole, the concern is with respect to the water management implications of such scenarios and the regulatory restrictions associated therewith. OWA generator members (particularly those that are currently not market participants) would like to better understand these implications. We understand that a generator successful in LT2 will be required to become a market participant by the COD of the project (either dispatchable or self-scheduling).</p> <p>The OWA supports: (1) the use of DA LMP rather than real-time pricing; (2) the use of a simple average DA price rather than a weighted average LMP; and (3) the incorporation of monthly Production Factors rather than the annual Production Factor in calculating the monthly Deemed Revenue as this approach aligns with the actual expected monthly production and revenue profile of a typical waterpower facility while providing an incentive for waterpower facilities with storage capacity to operate in accordance with market signals.</p>

DERs

Topic	Any
<p>Do you have any comments regarding eligibility requirements for DERs of other general comments?</p>	<p>There are dozens of hydroelectric facilities currently connected to distribution systems and many more can be expected to be brought forward through LT2. Proponents of these projects will need clarity on what market participation will entail well in advance of bidding their project in so as to determine what additional costs and risks need to be factored in to the determination of bid price.</p>

Capacity Resources

Topic	Feedback
Do you have any comments regarding considerations for acquiring additional capacity resources, and utilizing a multi-stream approach (energy and capacity streams)?	Waterpower projects can provide both energy and capacity, yet the IESO appears to be suggesting that there will be separate streams and contracts for capacity and energy resources in the future. Greater clarity is required on how the IESO intends to contract and value resources which provide energy, capacity and reliability services (e.g. waterpower).

LT2 Deliverability

Topic	Feedback
Do you have any comments on early deliverability data and evaluation stage deliverability?	The OWA recommends that the IESO provide as much data and information on existing and planned/probable deliverability at as fine a resolution as is practical. The OWA understands that deliverability will be determined based on COD rather than at project submission and will consider anticipated grid expansions. We also note that the Minister’s Directive stipulates that “Recognizing transmission constraints that restricted much of northern Ontario from participating in the first Long-Term RFP’s (LT1 RFP) capacity procurement, these constraints generally do not apply to the LT2 as the reliability need is different. I expect that prospective projects in Northern Ontario will be able to participate in the LT2 RFP and future procurements, subject to deliverability considerations. I ask that the IESO work with my ministry and MNRF to explore the possibility of the LT2 RFP awarding additional consideration to energy projects located in northern Ontario”. The OWA would appreciate clarity on how the IESO intends to satisfy this direction.

Repowering

Topic	Feedback
Do you have any comments around repowering participation?	Unique to waterpower, the criteria for “repowering” (i.e. redevelopment) are articulated in policy and procedure to support the Gross Revenue Charge (GRC) with respect to water rentals. https://www.ontario.ca/page/gross-revenue-charge-wr-30201 (Section 2.3.2 Redeveloped hydro-electric generating stations). The OWA recommends that the

IESO simply adopt this existing provision. In essence, redevelopments are treated the same as new greenfield development under the GRC. The OWA recommends that both redeveloped and new waterpower projects be provided with forty (40) year contracts through LT2.

Long Lead-Time Resources

Topic	Feedback
Do you have any comments on enabling long-lead time resources?	The OWA appreciates the IESO’s confirmation that that long lead time assets will only be assessed against other long lead time assets in the review of project price proposals (e.g. waterpower vs. waterpower) and understands that the IESO is seeking to confirm the level of expected participation in LT2. The OWA has surveyed generator members in this regard and would be pleased to meet directly with the IESO to discuss the results.

General Comments/Feedback

The IESO has suggested that there may be interest in exploring the possibility of upgrades to/expansions of existing contracted waterpower facilities participating in LT2 by bidding in the entire facility (i.e. existing and expanded) for a 2030 COD. The OWA does not support this approach. The vast majority of these facilities are contracted to 2029/2030 (and some beyond) and would be precluded from participating until contract expiry, making upgrades or expansions impractical for such timelines. Moreover, many of these facilities can be expected to apply for Stream 2 under the Small Hydro Program (and a similar mechanism under a Program to re-contract >10MW waterpower facilities). While the IESO has suggested that it would be challenging to contractually separate existing from incremental energy and capacity, the OWA encourages the IESO to further explore this option (again, the GRC policy and procedure could be used as a starting point (Section 2.3.3 Upgraded hydro-electric generating stations)).

The IESO has also indicated that it is considering stakeholder feedback on the proposed 20% capacity increase as a threshold for repowering a facility. The OWA recommends that either an energy or capacity increase be eligible and that, again, the existing GRC Regulation and Policy serve as the basis for the determination of upgrades and redevelopments of waterpower facilities.

Finally, the IESO has confirmed that it intends to apply past practice of indexing contract price to some percentage of CPI post-COD and include some provisions with respect to a “Materials Cost Index Adjustment” or some alternative. The OWA would appreciate further details in this regard.