

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>TransAlta supports further consideration of deeming energy market revenues based on real-time (as opposed to day-ahead) prices. The use of day-ahead prices places an unnecessary forecast risk on market participants, which could potentially be avoided or mitigated with the use of real-time prices – there may be asset specific variances between day-ahead estimates and real-time production that might be managed better by the supplier through the use of day-ahead and/or real-time prices.</p> <p>TransAlta also supports allowing participants the option to decide on using simple averages of price or weighted average LMP. We further recommend that the weighted average LMP be permitted to be determined by the project proponent, based on either day-ahead or real-time hours, given that the risk of the decision is entirely borne by the participant and does not result in any difference in performance under the contract. The option to select either option allows proponents to determine how they realize these risks and reflect their risk preference. If this latitude is not provided to proponents, the IESO should explain its rationale for restricting this optionality including any analysis it has conducted or commissioned quantifying or qualitatively comparing the benefits and costs of using day-ahead prices versus real-time prices.</p>

DERs

Topic	Feedback
<p>Do you have any comments regarding eligibility requirements for DERs of other general comments?</p>	<p>DERs should be held to the same eligibility and performance and performance measurement requirements that transmission-connected generation are subject to.</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)?	TransAlta agrees that consideration of acquiring additional capacity resources may permit more efficient development (allowing projects the flexibility to build in energy storage or enhancing the value proposition of energy storage with additional capacity capabilities).

LT2 Deliverability

Topic	Feedback
Do you have any comments on early deliverability data and evaluation stage deliverability?	TransAlta supports the IESO providing as much zonal and line data including MW and transfer limits, demand, historical flows, congestion, and grid upgrades. This data/information is important to developers and enables more efficient citing decisions such as inform the location and size of a new generation projects.

Repowering

Topic	Feedback
Do you have any comments around repowering participation?	<p>Repowering of existing resources should be permitted to participate for long-term contracts (20 year). Moreover, TransAlta recommends that the medium-term 2 request for proposal be moved up to occur in conjunction with long-term 2 request for proposal to coordinate recontracting and new contracting decisions. This will enable better planning decisions on the use of existing assets and sites, increase the efficiency of redevelopment of new development decisions, and support more effective generation decision making.</p> <p>Furthermore, the IESO should enable resources that may have recontracted through the previous medium-term request for proposal to have the option to participate in future long-term or medium-term requests for proposal (as these new procurements provide better opportunities for clean resources than what was offered in the previous request for proposal). The IESO's procurement approach for the medium-term, was designed for capacity resources (such as existing gas) and was poorly suited to recontracting with clean renewable electricity.</p>

Long Lead-Time Resources

Topic	Feedback
<p>Do you have any comments on enabling long-lead time resources?</p>	<p>TransAlta agrees that issues with respect to long-lead time resources and procurements should be further considered. We are interested in learning more about the IESO proposal of a multi-streamed approach to procurement where COD 2034+ are evaluated separately from other resources and with their own procurement target.</p> <p>TransAlta also supports exploration of a procurement specifically designed to consider competing long-lead time resources/technologies. At present, bilateral contracting might be more efficient due to scale of the opportunities for long-lead time projects and limited competition. However, in the long term, exploration into a competition that could attract more participants might be worthwhile.</p>

General Comments/Feedback

TransAlta appreciates the work done to date on planning the long-term procurements. We thank the IESO for recognizing that a different contract style was necessary to support clean energy resources.

The contract design that has been proposed appears simple but using an annual average energy production factor is too crude and results in undesirable revenue/cash flow volatility. The IESO should further consider allowing market participants to provide more factors including monthly and hourly production estimates to mitigate this unnecessary volatility and create a more investible procurement.