

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
<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>Hydrostor appreciates the IESO’s additional feedback regarding the LT2 RFP. THE IESO identified that LT2 RFP will acquire an additional 1,500 MW of effective capacity by 2030 and will start working on the RFP process by 2023. In order to ensure that long-lead and low-cost technologies are available for the procurement, the IESO should clearly define the needs as energy or capacity and clarify the duration requirement (e.g. preference for 8-hours, or even better, separate buckets for 4-hour short duration vs 8-hour long duration as noted below) as soon as possible. Otherwise, technology developers will not be able to make the necessary capital investment required to initiate development.</p> <p>Hydrostor also recommends that the LT2 RFP is broken down into multiple buckets based on technology type. i.e energy storage (long-duration, short-duration), generation, etc. This will also allow the IESO to provide a contract structure that matches the technology type rather than an all-purpose contract which is not well suited to any technology.</p>

LT1 RFP and Expedited Process: Mandatory Requirements and Rated Criteria

Topic	Feedback
<p>Please provide any feedback on the Mandatory Requirements and Rated Criteria proposed for the LT1 RFP and Expedited Process.</p>	<p>Hydrostor believes that longer durations need to be appropriately recognized in the procurement given the strong benefits that duration brings to the system. Therefore, our recommendation would be that instead of a rated criteria for duration, the IESO could break apart the procurement into multiple buckets related to the province’s duration needs. This will ensure that the province procures the appropriate duration it requires (and a meaningful proportion going to long-duration resources which has already been stipulated) rather than awarding points to each duration during the application process which may not be enough of an incentive to develop longer duration projects.</p> <p>If the IESO decides to move ahead with a rated criteria for long-duration: Hydrostor recommends due to the significant value provided by longer-duration projects, and the clear needs identified in the annual acquisition report, the IESO should consider giving projects which can provide 8+ hours of duration a higher score and greater differentiation between the scoring buckets.</p>

LT1 RFP and Expedited Process: Proposed Contract Design

Topic	Feedback
<p>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.</p>	<p>The proposed contract structure is not ideal for energy storage projects. Hydrostor recommends that the IESO take steps to simplify the contract payment structure as much as possible to arrive at something that is more stable versus the proposed approach which could lead to increased costs if the contemplated “capacity” (contracted) revenue streams are too exposed to merchant risk for both the sale and purchase of electricity. It is in the ratepayers’ interest for the IESO to contract with the lowest cost assets which will require stable contracted revenue streams for all-encompassing energy products (energy, capacity, ancillaries, etc.). An example of such a structure is provided below.</p> <p>Further, from a debt modeling perspective, lenders will take an aggressive stance and will assume the most conservative capacity revenues if they are dependent on an energy price set by the IESO leading to higher costs for Ontario ratepayers.</p> <p>In addition, the proposed contract structure will be difficult to model. Forecasting zonal energy prices will be challenging due to the lack of historical information available prior to the MRP in Ontario.</p> <p>The IESO should explore best practices from other jurisdictions, recognizing that it is possible to acquire capacity through a CFD-style contract. For example, the Long-Term Energy Services Agreement (LTESA) for storage and generation developed in New South Wales provides a top-up to market revenues including energy to hit an appropriate level that is needed for critical long-duration resources. The LTESA compares all market and other revenue streams received by the project against a bid price submitted to the NSW government (and provides an adjustment as needed to provide the project with an assured revenue stream).</p>

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.	Hydrostor supports the IESO's increased project term length of 20 years.

Deliverability Assessment

Topic	Feedback
Please provide feedback on the IESO's proposed process for deliverability testing and timelines.	

Additional Acquisition Mechanisms: Same Technology Expansions

Topic	Feedback
Are the descriptions of the different kinds of upgrades/expansions clear and reflective of the options?	
What are the interdependencies between the existing contract, any upgrades and on-site expansions that need to be considered?	
Are any interdependencies missing/not fully captured?	
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?	

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>	
<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